



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Enhancing The Effectiveness Of E-Services Of The Banking Industry

-Study of Banks in Bangalore

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Abstract

A characteristic of the banking sector in the world is its turbulent and competitive growth and Indian banking sector is not an exception to this. In addition, a number of non-bank companies are entering the banking sector, offering financial products and Services (e.g., Airtel Payment Bank, GM auto loans,). This offered customers many options for choosing banking services. Online banking has attracted the attention of banks, securities firms, brokerage houses and insurance companies. As this is going to be the order in future enhancing its effectiveness is a sine-qua-non and this paper explains the initiatives to be taken so as to enhance its effectiveness by taking samples from the bank customers in Bangalore, India.

Key words: Internet banking, electronic services, Automatic Teller Machines, Chip based cards

Introduction:

Today, banks operate in an environment of strong globalization, liberalization, privatization and competition. . To survive in this environment, banks must use IT. IT has introduced a new business paradigm. It is playing an increasingly important role in improving banking services. The Indian banking sector has undergone a big metamorphosis due to radical changes in information technology. Electronic banking was born from this innovative development. Modern technology is seen as a panacea for many of the ills facing the banking industry today. India remains a relatively under banked country with one of the lowest credit-to-GDP ratios amongst developing countries. Banks are therefore faced with a double challenge: increasing penetration and rapid growth. The banking industry can kill two birds with one stone - that is, with technology. Huge advancements have been made in technology which has turned the world into a global village and brought about remarkable changes in the banking industry. As usual, branch banking services have moved to click and order channel mode.

Electronic services can be defined as the provision of banking information and services by banks to customers on a variety of delivery platforms which can be used with a variety of end points, e.g. B. PC and mobile phone with browser or desktop software, phone or digital TV. Electronic services include RTGS, NEFT, ECS, credit and debit cards, shortened checks, ATMs, tele-banking, internet banking, mobile banking, etc.

Electronic banking is a term which designates and encompasses the full range of technological initiatives carried out in the banking sector. Electronic banking is an umbrella term that uses electronic channels through telephone, cell phones, Internet, etc. to provide banking products and services. The concept and scope of e-banking is still in transition. Electronic banking has broken down the barriers of branches.

Electronic banking in India is relatively new. The traditional banking model is that of branches. Only at the beginning of the 90s, the provision of non branch-banking services started. The good old manual systems on which Indian banks have depended for centuries seem to be irrelevant today. Credit for starting Internet banking in India belongs to ICICI Bank. Citibank and HDFC Bank introduced Internet banking services in 1999. The Government of India, along with the Reserve Bank, have taken a number of initiatives to encourage the development of electronic banking services in India. The Indian government has passed the IT Act 2000, which came into force on October 17, 2000, which provides for the legal recognition of electronic and other means of electronic commerce.

To respond to the pressures of increasing competition, Indian commercial banks have taken several initiatives and e-banking is one of them. Competition for public sector banks has been particularly fierce as the newly established private sector and foreign banks pave the way for the adoption of electronic banking services. Indian banks offer their customers the following e-banking products and services:

- ATMs
- Internet banking
- Mobile banking
- Telephone banking
- Electronic billing cards

- Electronic clearing services (ECS)
- Electronic money transfer (OIL, RTGS)
- Direct cash deposit

The ATM occupies a unique place among all the technologies used in the banking sector. For customers, it does what a bank branch could never do: cash withdrawals anywhere, anytime and in this respect it can also be called as Any Time Money (ATM). ATMs have quickly become a staple of the Indian banking population, reaching all areas - rural, suburban, City and metro. Banks, especially public sector banks (PSBs), should be credited with this remarkable achievement, although some foreign banks and new private banks stepped in early.

Review of Literature

Electronic banking is an innovation in which new information technologies merge with traditional banking services. Minimizing operating costs and maximizing revenues are the main factors in the development of online banking services (Sannes, 2001; Reibstein, 2002).

According to Madu and Madu (2002), responsiveness is the desire to support the bank's customers and provide them with effective quick service. This type of service can be broken down into four forms. First, the online banking system can properly monitor and manage the service. Second, e-banking channels can guide customers to the correct course of action in the event of a transaction error. Thirdly, it can also provide a quick solution to possible errors in electronic banking transactions. After all, it can also immediately answer questions from customers.

Historically, the launch of the first ATM in Finland marked the start of a new banking channel that made Finland the leading e-banking country before expanding to other developed and developing countries (H . Sharma, 2011). Recently, electronic banking which aims at the distribution of financial services through electronic systems has widened the reach among customers due to faster development in IT and competition among banks (Mahdi, Rezaul, & Rahman, 2010).

A number of studies indicate the relationship between customer satisfaction and e-banking. In their study, Asiyanbi and Ishola (2018) it was shown that customer satisfaction in the banking industry increases with the use of E-banking services. Similarly Ranaweera and Neely (2003) also confirmed that the quality of e-services is the first step towards customer satisfaction.

Christina, Beatrice, et al (2008) in their article have said that the evolution of E-banking began with the use of ATMs and included telephone banking, direct bill payment, wire transfers and online banking services.

E-banking offers consumers enormous advantages in terms of simplicity and cost of transactions according to Luis V. Casalo, Carlos Flavian and Miguel Guinaliu (2008).

Rajesh Kumar Srivastava (2007) has opined that the growth of e-banking with an increasing number of interface options for accessing online banking solutions has led, more than ever, to an increase in the number of customers interacting through computers and mobiles. With increasing competition online, banks that have chosen to maintain large branch networks are shifting the role of employees in those branches and shifting to a relationship-based sales culture to satisfy the customer needs.

Objectives of the study

The study will have the following objectives:-

- ❖ To study the awareness level of the customer about e-services of the bank.
- ❖ To enumerate customer expectations about e-services.
- ❖ To find out current customer satisfaction level in e-services of the bank.

To study the challenges faced by the bank in adoption of e-services and make recommendations to make it more effective

Reliability Analysis

Before analyzing the data, the research questionnaire was evaluated for its reliability. Cronbach's alpha coefficient was calculated for each variable to test reliability. The table-1 shows Cronbach's alpha for the questionnaire used to collect data.

Table No.1. Reliability Statistics

Cronbach's Alpha Based on Standardized Items	N of Items
.719	32

Nunnally (1967) suggested that a minimum alpha of 0.6 is sufficient for the early stages of research. Since Cronbach's alpha is between 0.717 the questionnaire was considered sufficiently reliable.

Limitations of the study

This study has the following limitations.

This study is academic in nature and it limited by time, coverage and cost.

The use of the survey limits us to a pool of customers of a private bank alone. Hence, the results may be generalizable only to the like and size.

The suggestions may require the commitment of the top management for changing certain policy decisions.

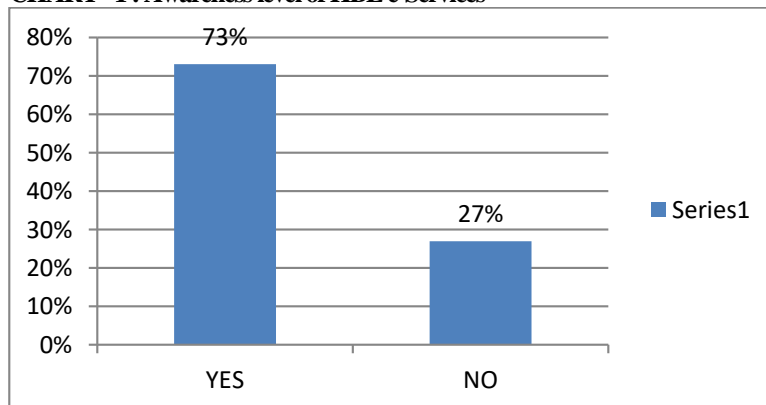
Data Analysis and Interpretation:

E services of bank refer to all types of banking transactions done electronically, without going to the bank. Instead, terms such as PC banking, Internet banking or online banking are sometimes used. Electronic services allow customers to conduct banking transactions online instead of looking for a bank and interacting with a cashier. For clients, this means performing actions such as paying bills, checking their account balances, transferring funds and purchasing financial instruments remotely. Awareness about the availability of these services is most important for making these services to be effective.

TABLE – 2 : Awareness level of KBL e-Services

Responses	No. Of Respondents	Percentage % of the Sample
YES	146	73%
NO	54	27%
TOTAL	200	100%

CHART –1 : Awareness level of KBL e-Services

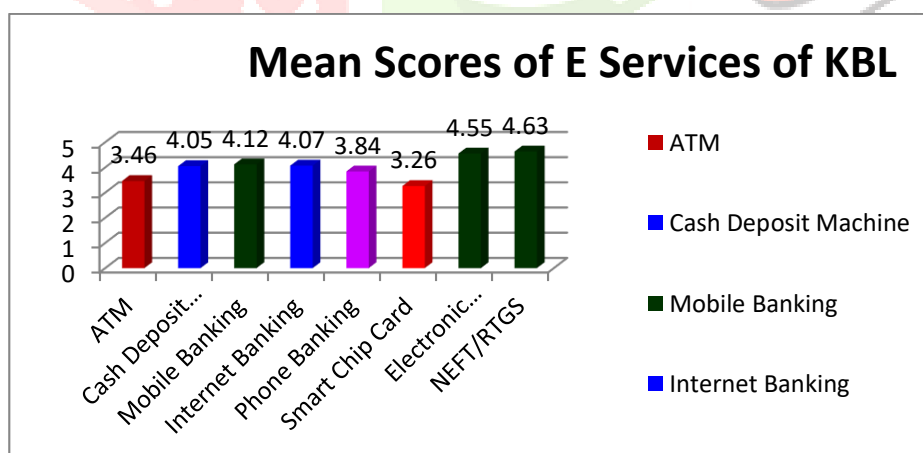


Perusal of the table reveals that 73% customers are aware of KBL e-banking services and 27 % customers are not aware of KBL e-banking services.

TABLE – 3: Analysis of Mean Scores of different E-services of Banks

E- Services	Mean Scores
ATM	3.46
Cash Deposit Machine	4.05
Mobile Banking	4.12
Internet Banking	4.07
Phone Banking	3.84
Smart Chip Card	3.26
Electronic Clearing System	4.55
NEFT/RTGS	4.63

CHART– 2: Analysis of Mean Scores of different E-services of Banks



By observing the mean scores of E-Services of banks we find that NEFT/RTGS services are very effective and customers are using this service very confidently. While on the other side, ATM and Smart Chip cards are not effective and hence not popular also.

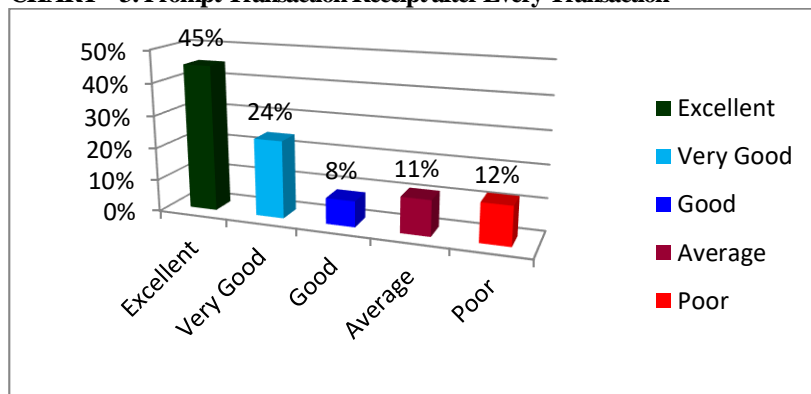
Making ATM Services Effective:

Over time, consumers rely on and trust the ATM machine because it can easily meet their banking needs. Using an ATM is not only safe but also convenient. Unfortunately, this security and convenience also comes with downsides not related to the use of currency, but to its abuse. The whole world is trying on the one hand to improve comfort and safety and on the other hand to reduce abuse.

TABLE – 4: Prompt Transaction Receipt after Every Transaction

Response	Percentage
Excellent	45
Very Good	24
Good	8
Average	11
Poor	12

CHART – 3: Prompt Transaction Receipt after Every Transaction

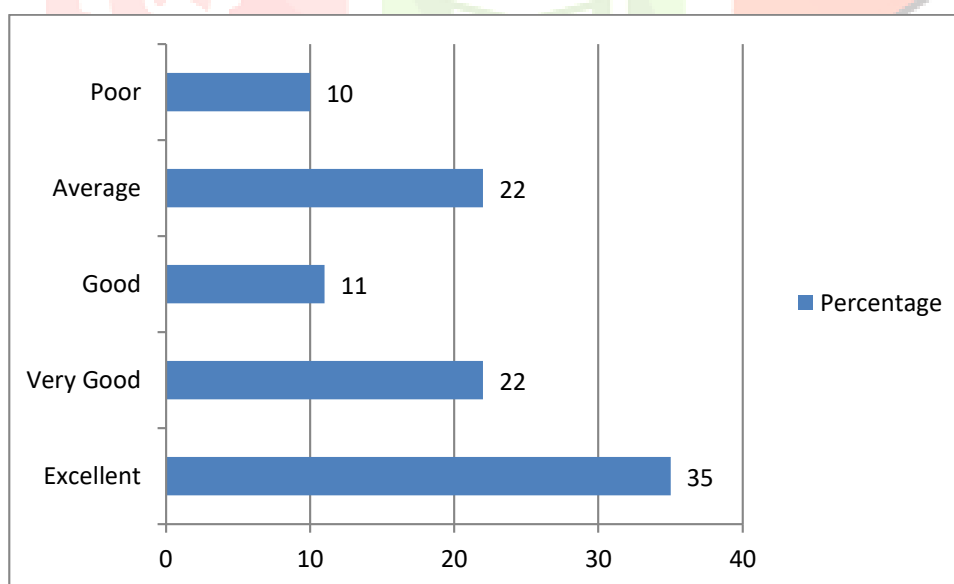


The study reveals 45% of the respondents are receiving the receipt after the transaction, whereas 24% of the respondents opined the service is very good. Around 23% of the respondents have rated this service as average and poor. Bank must act proactively and make best efforts to see that receipt is made available at all times.

TABLE – 5: Grievance Redressed in case of card capture

Response	Percentage
Excellent	35
Very Good	22
Good	11
Average	22
Poor	10

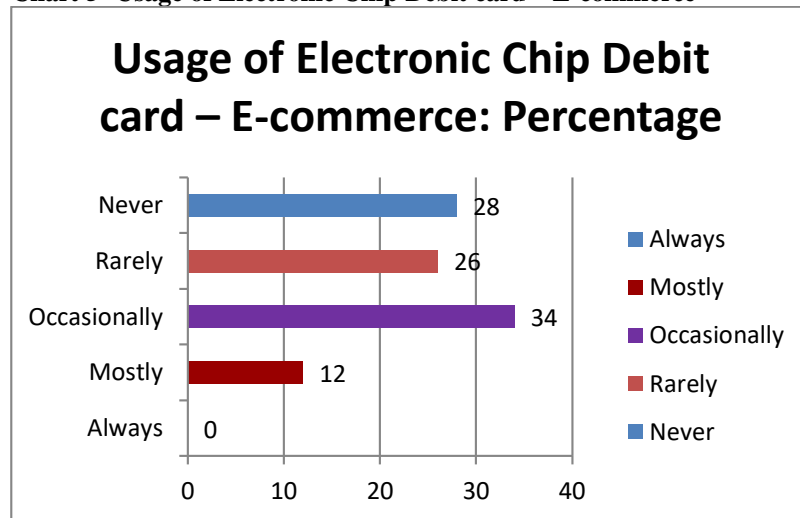
Chart– 4: Grievance Redressed in case of card capture



The study evoked response on Grievance redressal in case of card capture. 47% of the respondents have felt that their grievance is attended fast, whereas 32% of the respondents felt that this service is to be improved. Cards captured after banking hours cannot be reprieved by the customers since the Bank will be closed. Bank can improve the technology and see that cards are captured only for restricted reasons like account is maintained in debit balance, wrong usage of PIN etc.

Table 6-Usage of Electronic Chip Debit card – E-commerce

Responses	Percentage
Always	0
Mostly	12
Occasionally	34
Rarely	26
Never	28

Chart 5 -Usage of Electronic Chip Debit card – E-commerce

The study reveals 34% of respondents occasionally uses the electronic chip incorporated debit card for e-commerce transactions, while 26% of them rarely uses the same. 12% of the respondents uses the debit card for e-commerce transactions 28% of the respondents never use the card for E-commerce and POS transactions. Banks can educate the customers on the security aspects of the card, which can pave way for increase in its usage.

Suggestions:

The bank can optimise the process by porting a suitable programme so as to enhance the penetration of E-services, especially the ATM services to women and elderly customers, thus increasing the usage and effectiveness.

The bank may focus on improving their e-services by awareness programmes and customers' meet to popularise the e-services like Smart Chip Cards. Without customers preferring the services, making it effective may be difficult. Customer preference and customer satisfaction are the keys to make any product or service effective and to the expected level of their users- Viz., customers. This is supported by previous research (Bedi, 2010; Kumar, Mani, Mahalingam, & Vanjikovan, 2010;), which suggested that service quality is an antecedent of customer satisfaction with a significant and positive influence on it. The results also showed that four independent variables (efficiency and user-friendliness, reliability, security and confidentiality, responsiveness and communication) linked to the quality of e-banking services have a significant impact on the satisfaction of customers in the banking sector. Besides the above, the bank may try to upgrade their technology to avoid ATMs out of service conditions, card capture incidents, loading cut and defective currency etc., which will boost the confidence of the customer in using the same. These results are supported by previous research (G. Sharma & Malviya, 2014) which empirically shows that there is a direct relationship between the dimensions of E-banking service quality and customer satisfaction with banks. This necessitates enhancement in the offering and quality of E-services paving way for customer satisfaction.

Smart chip card with enhanced security features will ensure more confidence to the customer as skimming of the card can be avoided by the use of chip enabled card. Educating the customers about the safety features may enhance the usage and effectiveness of this E-service.

Impact of COVID-19 and E Services:

Any research should address the relevance of the present situation, especially the pandemic that has halted the functioning of the world in all aspects and rather shaken it too. According to health guidelines, one of the most effective ways to contain the current COVID-19 outbreak is to avoid face-to-face contact and maintaining social distancing. This means reducing people's travel and maximizing the time they spend at home. In line with these figures, most banks in most of the countries have reduced their opening hours and are recommending E-banking services to their customers.

To encourage the use of this e-service, many banks took the opportunity to send positive messages and remind their users of the benefits of online banking. These benefits include the ease of carrying out transactions around the clock and constant access to all financial information in real time. Some banks have also tried to promote online banking services by sharing tutorials and expanding on the types of transactions that customer can perform remotely.

Conclusion:

Making E-services effective in bank would help it to go a long way in laying the right foundation for customer satisfaction. As technology evolves due to competition and customer demand for electronic banking services, each bank is increasingly focusing on developing modern technologies to meet customer needs. At the same time using technology banks can offer new products, work more efficiently, increase productivity, expand geographically, and compete globally. Banks have recognized that survival in the new electronic economy depends on the availability of some or their entire Internet banking services while maintaining their

traditional infrastructure. E-banking has become a necessary weapon for survival and is fundamentally changing the banking industry around the world. Today, a simple click of a mouse offers customers banking services at a much lower cost and also gives them the unprecedented freedom especially at a time when the entire world is struck by pandemic time like this.

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