A COMPARATIVE STUDY OF E-BANKING SERVICES OF THE PUBLIC AND THE PRIVATE SECTOR BANKS IN VIRUDHUNAGAR DISTRICT

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SYNOPSIS

INTRODUCTION

Banking institutions have become an essential component of country’s economy. They are the veins of social and economic development of nation. They are the pillars of support to the growth and development of the country. They are described as “engines for economic growth.” Thus, banking can better be described as the kingpin of the chariot of economic progress. The strength of any economy primarily hinges on the strength and efficiency of the financial system, which in turn, depends on a sound and solvent banking system. Indian banking industry has undergone a significant process of changes over time. The new millennium has brought with it challenges as well as opportunities in various fields of economic activities. World over, banks are reorienting their business strategies towards new opportunities. E-banking has enabled the banks to scale borders, change strategic behavior and thus bring about new possibilities. After 1990s, a wide range of financial sector reforms has been initiated to improve resource efficiency and accelerate the growth process by removing structural deficiency affecting the performance of financial markets as well as financial institutions in India.

The revolution of information technology has influenced almost every facet of life. With the emergence of new digital technology, the banking industry has engaged information technology to acquire, to process and to deliver the information to banking customers. The banking segment has been one of the first sectors that have adopted many electronic applications to improve the performance and to gain a competitive advantage strategy. In order to survive in this environment, banks have to
use information technology. The introduction of e-banking has revolutionized and redefined the operating ways of banking. What used to happen only in branches can now happen anywhere in the world at any time, and through any delivery channel, a customer might choose. Hence, the banks, be it domestic or foreign are providing more investment opportunities to the customers with new technologies through e-banking.

E-banking is also called virtual banking or online banking. E-banking is defined as the automated release of new and traditional banking products and services directly to customers through electronic interactive communication channels. Electronic banking refers to more than a few types of services through which bank customers can request information and carry out most retail banking services via computer, television or mobile phone. E-banking technology denotes a diversity of different services ranging of automatic teller machines, telephone banking, television-based banking, internet banking and, more recently, mobile banking. Electronic banking services include the system that enables financial institution customers, individuals or businesses to enter accounts, transact business, or get information about financial products and services through a public or private network including the internet.

Electronic banking offers great opportunities for banks to increase their transactions, extend their customer-bases, to reduce their operational and opportunity costs, reduced waiting times in branches resulting in potential in sales performance and a larger global.

It provides benefits to customers such as convenience, personalization, freedom and cost advantages. From the customers’ perspective, e-banking permits the
customers to perform an extensive range of banking transactions electronically via the bank’s website at anywhere. Also, the customers no longer are detained to the opening hours of banks, travel and waiting times are no longer necessary, and access to information regarding banking services is now easily available. Compared to the traditional channels of offering banking services through physical branches, e-banking uses the internet to deliver traditional banking services to their customers, such as opening accounts, transferring funds, and electronic bill payment.

Electronic banking is a valuable and influential instrument for profound development, supporting growth, promoting innovation and enhancing competitiveness. Electronic banking has changed the face of commercial banking in current times by bridging geographical, industrial and regulatory gaps as well as creating pioneering products and services and more market opportunities for both banks and customers. Recently, the e-banking has become the way for the development of banking system, and the role of e-banking has been increasing in many countries. From the customers’ point of view, electronic banking allows the customers to easier access for financial services and time-saving in managing their finance. Indeed, the appearance of electronic banking has prompted many banks to develop marketing and information technology strategies to stay competitive.

**STATEMENT OF THE PROBLEM**

The financial structure of the world has been facing many challenges. Deregulation and the liberalization have opened up new opportunities for banks, but at the same time, the pressure of competition has led to narrowing spreads, shrinking margins, consolidation, and restructuring. With globalization and changes in technology, financial markets, have become tightly integrated all over the world.
Competition is going to be tough with financial liberalization and the banks in India will have to benchmark themselves against the best in the globe. Sustaining the advantage of electronic banking, the banks should upgrade their services continuously in the light of modern information technology from traditional banking.

Interestingly, the reliable and systematic information on the scope of electronic banking in the Indian context is still not sufficient, mainly what electronic banking means to the customers and bankers. In e-banking, there is a risk in the context of security concerns and risk in the context of trust in one’s bank. The electronic banking considers financial, security and privacy risks. The problem related to safety has become one of the chief concerns for banks. A large group of the customers refuses to opt for e-banking facilities, due to insecurity concerns. The risk of disclosing the private information and fear of identity theft are the major factors that inhibit the customers while opting for e-banking services. Most of the customers believe that using e-banking services makes them vulnerable to identity theft. Further, trust is the biggest hurdle of e-banking for most of the customers. Thus, customers have a perception that e-banking transaction is risky, due to which frauds can take place.

The banks have to invest heavily in technology and people with appropriate technical skills. More considerable investment in e-banking may lead to the emergence of ‘digital divide’ and as a result of new technological developments based on information technology, it leads to knowledge intensive innovations in the banking sector. As a result of this, the educated participants are likely to be the real beneficiaries while the less privileged are likely to lag behind. The average Indian customers are still PC illiterate and prefer the human touch over technology-driven
service. Moreover, technology at a given point in time may insist on a ceiling limit for the expansion and growth. It calls massive investments in research and development again. Continuous monitoring of current trends in technology and tapping the same are not easy tasks. It becomes a significant challenge to the banks.

Excessive reliance on technology more often may expose to greater operational risks. Safeguarding the system and software from the attack of the hackers through encryption, i.e. the process of putting information into code is the major challenge in the adoption of e-banking. The disruption of information access to be a common factor is related to an unwillingness to use e-banking. Unless electronic message transmission is safeguarded from unauthorized access through hacking, people will continue to be hesitant about using electronic banking for fear of fraud and the banks cannot win the confidence of the customers. A part of Indian economy is the black economy, where transactions are in cash, and there are no audit trails. This will be a factor that will continue to hinder wider acceptance of electronic banking because electronic payments always leave a paper trail.

Several emerging legal issues need to be addressed and they evolve legal and regulatory framework on e-banking. It is evident from a large number of consumer court verdicts against the credit card issuing banks. Though some progresses have been made with the passing of cyber laws in the form of IT Act by the Indian Parliament recently, IT is now a question of successful implementation. Limited online payment options have resulted in numerous customers to drop out the last stage of the purchasing process, due to dissatisfaction and inconvenience. The lack of financial resource and weak in technical expertise have been cited currently as two
significant obstacles in developing and maintaining e-banking services for many local smaller community banks located in remote and rural cities.

Awareness among customers about the e-banking facilities and procedures is still at the lower side in the Indian scenario. Banks are not capable to disseminate proper information about the use, benefits, and facility of e-banking. Hence, the penetration of internet and knowledge related to the internet are significant hurdles. For some people, the user-friendly technology simplifies their lifestyle, while for others, it is very much threatening and complex. Deregulation of services and the applications of new technologies are presenting considerable challenge to both private and public sector banks and this challenge has to be addressed through new approaches. While in private sector banks, technological revolution takes place quickly and they are able to offer quality services at reasonable cost. On the other hand, the public sector banks seem to adopt it in a phased manner. At this juncture, some critical questions that the public and private sectors commercial banks have to ask themselves are “What are the factors that influence the customers to prefer electronic banking services, types of electronic banking services available, what point the customers are satisfied with the electronic banking services and moreover, what are the problems faced by customers in e-banking services?” In this context, the researcher has attempted to study the above facts towards electronic banking services of the public sector with that of private sector banks in Virudhunagar District.

SCOPE OF THE STUDY

The present study attempts to create a comparative study of e-banking services of the public and private sectors banks in Virudhunagar district. The study is confined only to savings bank and current account holders who have an account with select
public and the private sectors banks. E-banking is the vast subject. Therefore, the most common services of the e-banking, influencing factors of the respondents, the loyalty of the customers with their banks and issues in the e-banking services are only studied. Moreover, the study is confined only to three public sector commercial banks namely, State Bank of India, Canara Bank, PandyanGrama Bank and the three private sector commercial banks namely, City Union Bank, Tamilnad Mercantile Bank, and ICICI Bank.

**OBJECTIVES OF THE STUDY**

This study consists of five objectives.

1. To study the socio-economic profiles of the respondents.
2. To know the banking details and information about e-banking services.
3. To analyse the association between the selected socio-economic profiles and the customer perceptions.
4. To examine the comparison level satisfaction about e-banking services and the problems faced by the customers of public banks with that of private sector banks.
5. To offer suitable suggestions on the basis of the findings of the study for the effective use of e-banking services.

**METHODOLOGY**

The present study is based on both primary as well as secondary data. The primary data are those data, which are collected directly from the customer of selected three public sector bank and private sector banks in Virudhunagar District. Before undertaking a final survey, a pre-test has been conducted. During the pre-test, it has been found that some changes are needed to be made like re-sequencing questions,
addition, and deletion of questions, simplifying some questions and reducing the length of the questions. All these changes have been incorporated in the questionnaire. The pre-test has helped to identify the potential practical problem in data collection.

For that, a separate pre-tested questionnaire has been constructed to collect the opinion about the e-banking services, socio economic conditions, bank details and level of satisfaction about e-banking.

The secondary data are those data, which are collected from already published journals, magazines, records, web-sites and so on.

**SAMPLING DESIGN OF THE STUDY**

The study area is Virudhunagar District. There are about 124 branches of public sector and 65 branches of private sector banks functioning respectively, in Virudhunagar District. About 189 branches, there are lots of people enjoying e-banking services. Therefore, the researcher has adopted proportionate stratified random sampling. Hence, the researcher has selected 3 banks form public sector bank namely, State Bank of India, Canara Bank, PandyanGrama Bank and 3 banks from private sector namely Tamilnad Mercantile Bank, ICICI Bank and City Union Bank. From these 6 banks, the researcher has randomly selected 7 branches from each bank. From each branch, the researcher has collected data from 10 respondents. Therefore, the researcher has collected data from 210 respondents from public sector banks and 210 respondents from private sector banks. Thus, totally 420 respondents have been interviewed by the researcher with the help of pre-tested questionnaire.
PERIOD OF THE STUDY

The researcher has collected the data relating to e-banking services in public and private sector banks in Virudhunagar District during the period of one year from September 2016 to August 2017.

HYPOTHESES OF THE STUDY

The following null hypotheses have been framed for the purpose of the study.

- There is no significant difference between the type of bank and influenced factor to avail e-banking services of public and private sector banks.
- There is no significant association between the Socio-economic profiles and the level of customer perception regarding attitudinal loyalty in e-banking service.

TOOLS USED FOR ANALYSIS

The researcher has used the following statistical tools to test the collected data.

- Percentage Analysis
- Mann Whitney Rank Sum U-Test
- Chi-Square Test
- Weighted Arithmetic Mean
- Discriminant Analysis

LIMITATIONS OF THE STUDY

The data have been collected from the customers of public and private sector banks in Virudhunagar District only. There are 189 branches in Virudhunagar District. But, the researcher has selected customers only from 42 branches. Hence, the estimated results may not represent the population as a whole. The findings may also be valid only for the present time, as changes are likely to happen, due to the
development in the banking sectors. Personal bias of the respondents might have crept in, while answering few questions and hence, the study has got its own limitations.

OPERATIONAL DEFINITION

a. Commercial Banks

Commercial banks are business concerns which provide various types of financial services to customers in return for payments in one form or another, such as interest, discounts, fees, commission, and so on. Commercial banks include private sector commercial banks and public sector commercial banks.

b. E-banking

E-banking implies the provision of banking products and services through electronic delivery channels such as phones, personal computer, television, and internet.

c. Customers’ Satisfaction

Satisfaction denotes a set of attitudes about a particular thing. Thus, the term “satisfaction” for the study connotes the attitude of the customers of the commercial banks towards the e-banking services.

d. Attitude

Attitude refers to the feelings, beliefs, and opinions of the customers on the e-banking services of the commercial banks.

e. Customers

Customers are people have an account with a commercial bank. Thus, the term “customers” for the study includes savings bank account holders and current account holders.
f. Customer Relationship Management

Customer relationship management is the strategic use of information, processes, technology, and people to manage the customer relationship with the commercial banks.

g. Customer Service

Customer service is the set of behaviors that a commercial bank undertakes during its interaction with its customers. It is the degree of assistance and courtesy granted to those who patronize the bank. It consists of codes of ethics, etiquette, behavior, courtesy and so on.

h. Service Quality

An appraisal of how well a delivered service conforms to the customers’ expectations in the commercial banks.

CHAPTER SCHEME

The report of the study has been organized and presented in eight chapters.

- The first chapter deals with introduction, statement of the problem, objectives, scope of the study, methodology, sampling design, hypotheses of the study, period of the study, tools for analysis and limitations of the study.
- The second chapter discusses the review of past literature relating to the present study.
- The third chapter presents the conceptual framework of e-banking services.
- The fourth chapter provides the socio-economic profile, bank details and information about e-banking services.
➢ The fifth chapter analyses the customer perception regarding attitudinal loyalty and issues related to e-banking services.

➢ The sixth chapter comprises the level of satisfaction about e-banking services of public sector banks with that of private banks.

➢ The seventh chapter provides the summation of the findings of the study and also offers valuable suggestions and conclusion.
Reference


