CHAPTER I
INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

The banking industries are mostly customer driven and their survival in competitive environment largely depends on new technological services provided by them. Technology plays a vital role in improving the quality of services provided by the banking sectors. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. Advent and adoption of internet by the banking has removed the constraint of time, distance and communication making globe truly a small village. Financial sector being no exception, numerous factors such as competitive cost, customer service, increase in education and income level of customers etc. influence banks to evaluate their technology and assess their electronic commerce and internet banking strategies. Internet banking allows banking from anywhere, anytime and is used for transactions, payments etc. over the internet through a bank, a credit union or society’s secure website. So, basically in internet banking a client has one-to-one interaction with the bank’s website and in such a situation it is essential on the part of bank to provide high quality services over the internet. So, in contrast to traditional banking, internet banking involves non-human interactions between customers and online bank information system. Customer satisfaction, customer retention and new customer acquisition are the key factors in
internet banking. Providing internet banking is increasingly becoming a ‘need to have’ than a ‘nice to have’ service. Internet banking is a new delivery channel for banks in India. The internet banking channel is both an informative and a transactional medium. Banks with lower market share also perceive internet banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery. However, the service quality in internet banking from customers needs thorough analysis to find out the determinants for success and growth of new channel of delivery in India, so that useful guidelines for bankers can be extracted.

Today, all banks basically offer the same types of services, and facilities to the customers. The banker who wants to compete with others has to depend more on the efficient services and coordinate relationship with his customers. The only factor that distinguishes one bank’s service from the other is the “Customer Satisfaction” relating to their services rendered by the bank. It is the most important factor that influences the customer choices of the bank. The success of banking generally depends on the customer satisfaction relating to new technological services rendered by the banks.

In 1969, the central government nationalized 14 major banks to break the ownership and control of few leaders of commerce and industry over the economic power and banking system. This also enabled balanced geographical growth of banks especially in rural areas and small towns, which accounted for the majority of the population. The government, as the owner of the banks, decided the agenda for the
banks and directed the flow of credit. The focus changed from class banking to social banking ever since nationalization of banks.

This social transformation process resulted in unprecedented expansion of banking and financial system. However, the regulated business environment, poor quality of credit portfolio due to social lending without adequate safeguards against defaults, thin margins on social lending, disruptive tactics of trade unions, increasing number of loss making branches due to unmindful branch expansion in rural areas and other factors resulted in sacrifice of the service quality and the operational productivity and profitability of these organizations. The banks still managed to survive due to the regulated business environment which killed the scope for competition among banks.

Banking segments in India have been booming of late due to high liquidity, changing demographic profiles, changing interest rates, and increasing demand for consumer finances. A brief scrutiny of the Indian banking industry would unearth the reasons behind the current scenario governed by the Banking Regulation Act of India 1949. The Indian banking industry can be broadly classified into two major categories: Non-scheduled banks and Scheduled banks. Scheduled banks comprise of Commercial banks and the Co-operative banks. In terms of ownership, Commercial banks are further grouped into nationalised banks, the State Bank of India and its group banks, Regional Rural Banks and private sector banks.

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factor that distinguishes one bank’s service from the other is the “Customer Satisfaction” relating to their services rendered by the bank. It is the most important factor that influences the customer choices of the bank. The success of banking generally depends on the customer satisfaction relating to new technological services rendered by the banks.

The banking industries are mostly customer driven and their survival in competitive environment largely depends on new technological services provided by them. Technology plays a vital role in improving the quality of services provided by the banking sectors. One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. Advent and adoption of internet by the banking has removed the constraint of time, distance and communication making globe truly a small village. Financial sector being no exception, numerous factors such as competitive cost, customer service, increase in education and income level of customers etc. influence banks to evaluate their technology and assess their electronic commerce and internet banking strategies. Internet banking allows banking from anywhere, anytime and is used for transactions, payments etc. over the internet through a bank, a credit union or society’s secure website. So, basically in internet banking a client has one-to-one interaction with the bank’s website and in such a situation it is essential on the part of bank to provide high quality services over the internet. So, in contrast to traditional banking, internet banking involves non-human interactions between customers and online bank information system. Customer
satisfaction, customer retention and new customer acquisition are the key factors in internet banking. Providing internet banking is increasingly becoming a ‘need to have’ than a ‘nice to have’ service. Internet banking is a new delivery channel for banks in India. The internet banking channel is both an informative and a transactional medium. Banks with lower market share also perceive internet banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery. However, the service quality in internet banking from customers needs thorough analysis to find out the determinants for success and growth of new channel of delivery in India so that useful guidelines for bankers can be extracted.¹

1.2 BANKING SYSTEM IN INDIA

The first bank in India, called The General Bank of India was established in the year 1786. The East India Company established The Bank of Calcutta (1809), Bank of Bombay (1840) and Bank of Madras (1843). These three individual units were called as Presidency Banks. The next bank was Bank of Hindustan which was established in 1870. Allahabad Bank which was established in 1865 was for the first time completely run by Indians. Punjab National Bank Ltd. was set up in 1894 with head quarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. In 1921, all presidency banks were amalgamated to form the Imperial Bank of India which was run by
European Shareholders. After that the Reserve Bank of India was established in April 1935.

At the time of first phase the growth of banking sector was very slow. Between 1913 and 1948 there were approximately 1100 small banks in India. To streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No.23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as a Central Banking Authority.

After independence, Government has taken most important steps in regard of Indian Banking Sector reforms. In 1955, the Imperial Bank of India was nationalized and was given the name "State Bank of India", to act as the principal agent of RBI and to handle banking transactions all over the country. It was established under State Bank of India Act, 1955. Seven banks forming subsidiary of State Bank of India was nationalized in 1960. On 19th July, 1969, major process of nationalization was carried out. At the same time 14 major Indian commercial banks of the country were nationalized. In 1980, another six banks were nationalized, and thus raising the number of nationalized banks to 20. Seven more banks were nationalized with deposits over 200 Crores. Till the year 1980 approximately 80% of the banking segment in India was under government’s ownership. On the suggestions of
Narsimhan Committee, the Banking Regulation Act was amended in 1993 and thus the gates for the new private sector banks were opened.²

1.3 INDIAN BANKING STRUCTURE

Indian banking industry has been divided into two parts, organized and unorganized sectors. The organized sector consists of Reserve Bank of India, Commercial Banks and Co-operative Banks, and Specialized Financial Institutions (IDBI, ICICI, IFC etc). The unorganized sector, which is not homogeneous, is largely made up of money lenders and indigenous bankers. An outline of the Indian Banking structure may be presented as follows:-

THE INDIAN BANKING SYSTEM
The Reserve Bank of India is the supreme monetary and banking authority in the country and has the responsibilities to control the entire banking system in India. It was established on 1\textsuperscript{st} April 1935 under the Reserve Bank of India Act passed in 1934. It acts as the lender of the last resort and also acts as the leader of the Indian money market in supervising, controlling and regulating all the activities of the commercial banks and other financial institutions. The Reserve Bank of India acts as a centralized
body monitoring any discrepancies and shortcoming in the system. It is the foremost monitoring body in the Indian Financial Sector.

Commercial Banks

Commercial banks act as financial intermediaries, i.e. intermediaries of savings and investment. It has a positive role to play in the economic development of a country as repositories of people’s savings and purveyors of credit, especially as the success of economic development depends on the mobilization of resources and their investment in appropriate manners. Commercial banks have been in existence for many decades. A commercial bank of India is that financial institution which performs all the ordinary banking functions and operates under the control and supervision of the Reserve Bank of India. It plays a very significant role in mobilizing deposits from urban areas and making them available to large and small industries and trading units mainly for working capital requirements. The commercial banks in India are controlled or owned by three different groups of organizations. They are public sector, private sector and foreign banks.

Public Sector Banks

Public sector Banks consist of the State Bank Group and other Nationalised Banks. It was wholly owned and controlled by the Government. It plays a pivotal role in the development of Indian economy.

State Bank of India and its Groups
On the recommendation of the All India Rural Credit survey Committee, nationalization of a leading commercial bank for providing more finance to the priority sectors, especially agriculture. Accordingly, the Imperial Bank of India was nationalized and The State Bank of India came into existence in May 1955. It is the first nationalized commercial bank in India. The State Bank of India was thus born with a new sense of social purpose aided by the 480 offices comprising branches, suboffices and three local head offices inherited from the Imperial Bank. Subsequently, in 1960, seven banks which had special connection with the erstwhile princely states, such as Hyderabad, Mysore and Travancore become subsidiaries of the State Bank of India.

The following bank were made the subsidiaries of State Bank of India

1. The State bank of Bikaner
2. The State Bank of Mysore
3. The State bank of Jaipur
4. The State Bank of Patiala
5. The State Bank of Hyderabad
6. The State Bank of Travancore

Earlier SBI had only seven associate banks that constituted the State Bank Group. Originally, the then seven banks that became the associate banks belonged to
princely states until the government nationalized them between October 1959 and May 1960. In tune with the first Five Year Plan, emphasizing the development of rural India, the government integrated these banks into the State Bank of India system to expand its rural outreach. There has been a proposal to merge all the associate banks into SBI to create a “Mega bank” and streamline operations.

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of state banks its subsidiary, State Bank of Indore, with itself. SBI holds 98.3% in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.77%)

The acquisition of State Bank of Indore added 470 branches to SBI’s existing network of 12,448 and over 21,000 ATMs. Also, following the acquisition, SBI’s total assets will inch very close to the 10 trillion mark. The total assets of SBI and the State Bank of Indore stood at 9,981,190 million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore branches started functioning as SBI branches on 26 August 2010.

1. State Bank of India has 172 foreign offices in 37 countries across the globe.

2. SBI has about 26,000+ATMs (25,000<sup>th</sup> ATM was inaugurated by the then Chairman of State Bank Shri O.P. Bhatt on 31 March 2011, the day of his retirement); and SBI group (including associate banks) has about 45,000 ATMs.

3. SBI has 21,500 branches, including branches that belong to its associate banks.
4. SBI includes 99,345 offices in India.

**Nationalised Banks**

Till 1966, majority of the commercial banks in India were only with the private sector and Government could not effectively control them. The commercial banks were not lending adequate resources to the priority sector consisting of agriculture and allied industries. In order to overcome this drawback in the operation of banks, the Banking Law (Amendment) Act was passed in December 1968 and it came into force in 1-2-1969. It is known as the scheme of ‘social control’ over the banks. But this scheme did not yield a good result. Therefore in order to achieve the social and economic objectives the government of India nationalized banks in two phases.

**First Phase:** In the first phase, the government nationalized 14 major Indian banks, each having deposits of more than Rs. 50 crore – Rs. 2741.75 crore in aggregate as on 31\textsuperscript{st} Dec. 1968 (after 5 months & 18 days after statutory imposition of social control) no foreign bank was taken over. The names of 14 banks taken over by the government, headed by Smt. Indira Gandhi under the Banking Companies Act (acquisition & transfer of undertakings) of 1969 are given below:

1. Central Bank of India Ltd.
2. Bank of India Ltd.
3. Punjab National Bank Ltd.
4. The Bank of Baroda Ltd.
5. The United Corporation Bank Ltd.
6. Canara Bank Ltd.

7. United Bank of India Ltd.

8. Dena Bank India Ltd.

9. Syndicate Bank Ltd.

10. The Union Bank of India Ltd.

11. Allahabad Bank Ltd.

12. The Indian Bank Ltd.

13. The Bank of Maharashtra Ltd.

14. The Indian Overseas Bank Ltd.

**Second Phase:** In the second phase public sector undertaking was enlarged on 15 April 1980 with the nationalization of 6 more Indian banks, whose demand and time liabilities exceeded to 200 crores on 14 March 1980. The banks acquired under the Banking Companies (acquisition & transfer of undertakings) Act 1980 as 14 March 1980 are given below:

1. The Andhra Bank Ltd

2. The Punjab & Sind Bank Ltd.

3. The New Bank of India Ltd.

4. The Vysya Bank Ltd.

5. The Corporation Bank Ltd.

6. The Oriental Bank of Commerce Ltd.
These banks constituted the public sector banks while the other scheduled banks and non-scheduled banks are in the private sector. The nationalized banks are subsequently referred to as public sector banks. Total nationalized banks were 20, but now there are only 19 because of merger of New Bank of India with the Punjab National Bank on May 1993. At present, the total number of public sector banks was 27 (including State Bank of India and its seven subsidiaries).

**Private Sector Bank**

The Private Sector Banks play a vital role in the Indian economy. The private sector was regulated through system of licenses, controls and legislative Acts. They indirectly motivate the public sector banks by offering a healthy competition to them. It helps in introducing a high degree of professional management. The private sectors banks are always trying to innovates new products avenues (new schemes, services, etc.,) and make the industry to achieve expertise in their respective fields by offering quality service and guidance. They introduce new technology in the banking service. Thus, they lead the other banks in various new fields: Introduction of computerized operations, credit card business, ATM service, etc.

**Regional Rural Banks**

The Regional Rural Banks (RRB’s) came into existence in the middle of 1970’s with the basic objective of providing credit and deposit facilities particularly to the small and marginal farmers, agricultural labourers artisans and small entrepreneurs. The Regional Rural Banks have the responsibility of developing agriculture, trade,
commerce and industry in rural areas. They function mostly like commercial banks but their area of operation is limited to a district.

**Co-operative Banks**

The co-operative Banks are established under the State Governments’ Co-operative Societies Act. The co-operative banks gave credit to their members at a low rate of interest, thus helping them to get rid of their indebtedness. It consists of three-tier structure. The three tier structure of co-operative banks at the State, District and Village levels is mainly for providing financial assistance both for agriculture and other activities. At the apex level State Co-operative Banks are located. Reserve bank of India and NABARD (National Bank for Agricultural and Rural Development) provide financial assistance to State Co-operative Banks in all States. The State Co-operative Bank provides funds to Central Co-operative Banks at the district level. The Central Co-operative Banks were established to support the co-operative banks with the objective of relieving the poor and marginal people in the rural areas from the clutches of the moneylenders who charged a high rate of interest. They provide financial assistance to the primary Co-operative Society at the village level. The Primary Co-operative Credit Societies (which are really banks) were originally set up in villages to promote thrift and savings of the farmers and to meet their credit needs in cultivation. The co-operative banks offer higher rate of interest than other commercial banks on the deposits received by them.

**Privatization**
Privatization is a political process and has important economic and social implications that not only affect enterprise performance, but also social welfare and stability. After 31 years, the Government of India introduced a Bill in the Parliament on 13th December, 2000 providing for reduction in Government equity in the Public Sector Banks from existing “not less than 51%” to 33%. In other words, the 67% of equity would be held by the private sector and Government equity will be around 33%. This intent was no doubt in 1990s. After the deregulation of interest rates, issuing of licenses to new private banks, liberalizing of branch licensing policy, lending policy, even with recruitment policies of banks, it was natural to progress toward de-nationalisation. In the course of banking liberalization, Reserve Bank has so far granted licenses to 9 private sector banks up to March 2003. This apart, many foreign banks are allowed to set up branches/offices in India. Simultaneously banks were encouraged to go for mergers as in the case with Times Bank Ltd with HDFC bank and Bank of Madura Ltd with ICICI Bank Ltd. The new privatization policy also led to a large-scale reduction in the staff strength PSU banks. However, the objective of privatization is to improve the functioning and profitability of Government owned banks. Over the past 15 years, Indian financial system has been tremendous changes. Interest rates have been largely deregulated, new banks allowed to enter the market and completion has been allowed across a variety of different product lines including loans, insurance, credit card, mutual funds and corporate banking services.

1.4 BANKING SERVICES IN INDIA

Banking services constitute a hybrid type of “offering” by an organization. The offer consists of equal parts of tangible “goods” (that is, the various brands of accounts, the size of lockers, the loan schemes), and intangible ‘service’ (that is, the ambience, behaviour of the
staff, speed and accuracy of transactions, and the reliability of the bank). The commercial banks implement the marketing concept by the simultaneous use of internal marketing (from company to employees), external marketing (from company to customers), and interactive marketing (from employees to customers).

Traditionally, banking in India has been dominated by the offices / branches of the public sector banks. However, with the liberalization of the financial sector in the 1990s, the private-sector banks and the foreign banks have also set up their shops all over the country. These newly set up commercial banks are offering aggressive and technology-savvy competition to the public sector banks in the form of innovative products and services which include the following:

1. Round-the-clock banking facility on phone, that is, ‘Tele-Banking’.

2. Banking facility through internet sites, i.e., ‘Net-Banking’.

3. Free home services to open a bank account and to withdraw / deposit money by cheque / draft, that is, ‘Home Banking’.

4. Free ‘autosweep’ facility in the saving account where the customer has the option to sweep excess funds into the high-interest fixed deposit at any time.

5. Multi-option deposit, in which the amount is fixed for a certain period of time, but the customer, has the option to withdraw at any time, a portion of the lump sum without losing interest on the rest of the deposit.

6. Offer of 24-hour Automated Teller Machine (ATM) and 365 days service to all the customers.

7. Providing an automatic terminal in a corporate office, allowing the company to access its bank accounts directly from its business premises.
8. Offering of attractive consumer durable loans, educational loans, personal
loans, and housing loans at low interest rates.

9. Provision of credit-cards and free ‘demat’ services to customers.

Various committees have been appointed from time to time to study service
quality in banks and to provide concrete recommendations. The Banking Commission
appointed Saraiya Committee in 1972 which provided 77 recommendations, followed
by Talwar Committee (1975) with 176 suggestions and Goipuria Committee (1980)
which studied the causes of below-par customer service in banks and suggested 97
recommendations for improvement of work culture in Indian banking.

A nationwide survey on the 27 public sector banks’ Customers Service
conducted on 3 January 1997 by IBA (Indian Banker’s Association) provided useful
findings. The Western Region of our economy showed excellent results with 26 banks
providing “A” rating (above 75 per cent quality and satisfaction) service followed by
Southern and Northern regions (which include our field of study – Delhi) with 22 and
21 banks in “A” category respectively. In terms of quality standards and customer
satisfaction, the central region was lagging far behind with only one bank in “A” group
and majority in “B” category (60-75 per cent satisfaction). (“A” rating denotes above
75 per cent customer satisfaction, “B” and “C” rating refer to 60-75 per cent and 60
per cent satisfaction respectively).

Similarly an All Indian Survey conducted by the National Institute of Bank
Management (NIBM) covering 90,000 households and 10,000 institutions on behalf of
IBA provided two eye-opening lacunas in Indian banking. Firstly, many customer respondents expressed dissatisfaction over the delays in collection of cheques and other instruments. Secondly, the banking sector has not effectively adopted any promotional strategy on the various schemes and products offered by the banks. A recent study conducted by Sangeeta Aurora and Minakshi Malhotra (1997) concludes that routine operation factors (like cash withdrawal time, time in opening account, etc) and staff factors (staff attitude, knowledge of staff) are the activities of highest satisfaction among customers of both public sector banks and private sector banks, respectively. On the other hand, interactive factors (banker-customers) and situational factors (location of the bank) are least satisfying in public sector and private banks, respectively.³

1.5 STATEMENT OF THE PROBLEM

Designing services to suit the requirements of customers necessitates tailoring bank services to what the customers want, rather than making them helplessly accept whatever banks can conveniently provide. Mere designing a service will not bring magic unless it is backed by good delivery, since bad delivery of a perfectly designed service is as disastrous as perfect delivery a badly conceived service. Above all, there is an imperative need to access how customers perceive bank services. This is so because what is a good customer service today may become an indifferent service tomorrow and bad service the next day.
Again, there is a general consensus that the quality of service presently rendered by banks needs, and is capable of vast improvement. In fact, public expectations have been constantly increasing and with the growing public awareness, dissatisfaction over the quality of service being rendered by banks has assumed growing expression.

Moreover, deregulation of services and the applications of new technologies are presenting considerable challenge to banking companies both private and public and this challenge has to be addressed through new approaches. While in private sector banks, technological revolution has taken place quickly that 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. Hence, there is a need to analyse new technological services, that is, internet banking provided by the private sector bank vis-a-vis public sector bank. Further, the systems and procedures are vehicles for delivery of customer satisfying services. In this context, it is vital to study to what extent the systems and procedures are reoriented in the customer’s interest in the changed new technological environment in private and public sector banks.

In view of the above facts, it is imperative to undertake this study and to assess how customers perceive net banking services and their satisfaction level in public sector banks when compared with the private sector banks.

1.6 OBJECTIVES OF THE STUDY

The specific objectives of the study are:
1. To discuss the net banking services rendered by the commercial banks in India.

2. To identify the factors influencing the customer attitude towards net banking in selected banks in Dindigul district.

3. To compare and discriminate the public and private sector banks in terms of dimension-wise perception of net banking.

4. To study and analyze the profile of customers and their opinions about the electronic banking transaction

5. To discuss the expected and derived level of attitude of the customers on 'products' and 'service'.

6. To offer suggestions for enhancing the level of attitude of the customers regarding net banking services.

1.7 HYPOTHESES OF THE STUDY

The following hypotheses were framed by the researcher:

1. There is no significant relationship between gender of the customers and their level of attitude towards internet banking in both Public and Private banks.

2. There is no significant relationship between age of the customers and the level of attitude towards internet banking in both Public and Private banks.

3. There is no significant relationship between education of the customers and the level of attitude towards internet banking in both Public and Private banks.

4. There is no significant relationship between profession of the customers and the level of attitude towards internet banking in both Public and Private banks.
5. There is no significant relationship between monthly income of the customers and the level of attitude towards internet banking in both Public and Private banks.

6. There is no significant relationship between marital status of the customers and the level of attitude towards internet banking in both Public and Private banks.

1.8 METHODOLOGY

This is an empirical study based on the survey method. Both primary and secondary sources of data have been used in this study. The necessary primary data have been collected from the customers from the select public sector and private sector banks in Dindigul district. Secondary data have been obtained from the records and annual reports of the select banks, and other journals, published theses and unpublished theses related to this study.

1.8.1 Sample Design

There are 70 branches of public sector banks and 26 branches of private sector banks are functioning in Dindigul district. For the purpose of primary data collection, six banks will be selected i.e., three from public sector namely State Bank of India (SBI), Indian Overseas Bank (IOB) and Canara Bank (CB) and another three from private sector banks namely Tamilnad Mercantile Bank Ltd., (TMB), Industrial Credit and Investment Corporation of India (ICICI) and Axis Bank in Dindigul district.

For the purpose of primary data collection, 600 customers, 300 each from public and private sector banks respectively will be selected on the basis of stratified
proportionate random sampling method. Table 1.1 presents the details of the sample distribution of the customers.

### TABLE 1.1

**DISTRIBUTION OF SAMPLE SIZE**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Bank</th>
<th>Total Number of Customers</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Public Sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>166208</td>
<td>129</td>
</tr>
<tr>
<td>2</td>
<td>Canara Bank</td>
<td>98261</td>
<td>76</td>
</tr>
<tr>
<td>3</td>
<td>Indian Overseas Bank</td>
<td>122969</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>387438</strong></td>
<td><strong>300</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Private Sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Axis Bank</td>
<td>105283</td>
<td>108</td>
</tr>
<tr>
<td>2</td>
<td>ICICI Bank</td>
<td>77840</td>
<td>80</td>
</tr>
<tr>
<td>3</td>
<td>Tamilnad Mercantile Bank Ltd.</td>
<td>108256</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>291379</strong></td>
<td><strong>300</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Grand Total</strong></td>
<td><strong>678817</strong></td>
<td><strong>600</strong></td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan, 2013-13, Lead Bank, Canara Bank, Dindigul District.

### 1.8.2 Collection of Data

Before undertaking the main survey, a tentative schedule was prepared separately for the customers and administered to 50 customers (25 each from public and private sectors) in order to test the validity of the interview schedule. It facilitated the removal of the non-response and unwarranted questions and the modified final schedule was prepared on this basis.
The select respondents were contacted in person and the objectives of the study were clearly explained to them and their co-operation was ensured. The details regarding the principal demographic characteristics like age, level of education, level of income, profession and geographic location of the bank were taken into consideration. All these characteristics have an important bearing upon the bank customers’ evaluation of Internet banking.

1.8.3 Period of Study

The field survey was conducted from April 2012 to March 2013 for the collection of primary data to find customer attitude with the net banking in Dindigul district.

1.8.4 Tools of Analysis

In order to measure the dimensions relating to the customer services under the net banking system, customers were asked to give their opinion on their attitude received on a seven point Likert-scale (ranging from seven indicating strongly agree to one indicating strongly disagree). In order to analyze and compare the dimensions relating to the net banking system of different public and private sector banks and their consistency in the dimensions, mean score, standard deviation and coefficient of variations were computed from total score by using the following formulae:

\[
\text{Arithmetic Mean (} \bar{X} \text{)} = \frac{\sum}{n}
\]
where,

\[ X = \text{Value of the variable}, \]

\[ n = \text{Number of years}. \]

\[
\text{S.D.} = \text{Standard Deviation},
\]

\[
\text{Coefficient of Variation (\%) } = \frac{\text{S.D.}}{\bar{X}} \times 100
\]

where,

\[ \bar{X} = \text{Arithmetic mean}. \]

The One-way ANOVA has been applied to find the significant variation in the dimensions under the net banking system between the public and private sector banks. The ‘F’ statistic is calculated by using the following formula:

\[
F \text{ ratio} = \frac{\text{Variance between Groups}}{\text{Variance within Groups}}
\]

The above F ratio is calculated and compared with the respective table values.

The level of attitude has been classified into three namely high level, medium and low levels of attitude with regards to Internet banking. For this arithmetic mean (\( \bar{X} \)) of total score (including all dimensions) and standard deviation (SD) of the score values were computed separately for each sector, while the score values > (\( \bar{X} + \text{SD} \))
have been classified as high level of attitude, the score values < (X-SD) indicate low level and the score values between (X-SD) and (X+SD) have been classified as medium level.

In order to examine the association between the demographic characteristics of the customers and the level of attitude, the Chi-Square test has been applied with the following formula:

\[
\text{Chi-Square} = \sum \frac{(O - E)^2}{E}
\]

with (r-1) (c-1) degrees of freedom.

Where,

\[O = \text{Observed frequency},\]
\[E = \text{Expected frequency},\]
\[c = \text{Number of column in a contingency table and}\]
\[r = \text{Number of row in a contingency table} .\]

In order to find the factors influencing customer attitude towards the products and services, the factor analysis was applied with the following formula:

Mathematically, factor analysis is somewhat similar to multiple regression analysis. Each variable is expressed as a linear combination of underlying factors. The amount of variance a variable shares with all other variables included in the analysis is referred to as communality. The co-variation among the variables is described in
terms of a small number of common factors plus a unique factor for each variable.

These factors are not over observed.

If the variables are standardized, the factor model may be represented as:

\[ X_i = A_{i1} F_1 + A_{i2} F_2 + A_{i3} F_3 + \ldots + A_{im} F_m + V_i U_i \]

where,

\[ X_i = \text{\textit{i}^{th} standardized variable}, \]

\[ A_{ij} = \text{Standardized multiple regression coefficient of variable on common factor j} \]

\[ F = \text{Common factor}, \]

\[ V_i = \text{Standardized regression coefficient of variable i on Unique factor i} \]

\[ U_i = \text{The unique factor for variable i} \]

\[ m = \text{Number of common factors} \]

The unique factors are uncorrelated with each other and with the common factors. The common factors themselves can be expressed as linear combinations of the observed variables.

\[ F_i = W_{i1} X_1 + W_{i2} X_2 + W_{i3} X_3 + \ldots + W_{ik} X_k \]
where,

\[ F_i = \text{Estimate of } i^{\text{th}} \text{ factor} \]

\[ W_i = \text{Weight or factor score coefficient} \]

\[ K = \text{Number of variables.} \]

It is possible to select weights or factor score coefficients so that the first factor explains the largest portion of the total variance. Then a second set of weights can be selected, so that it is the second factor which accounts for most of the residual variance subject to being uncorrelated with the first factor. The same principle could be applied to selecting additional weights for the additional factors. Thus, the factors can be estimated so that their factor scores, unlike the value of the original variables, are not correlated. Furthermore, the first factor accounts for the highest variance in the data, the second factor for the second highest, and so on.

The t-test was applied to compare the variables between the public and private sector banks relating to internet services offered and the reasons for opening an Internet bank account by using the following formula:

\[
t = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}
\]

Where,

\[ \overline{X}_1 = \text{Mean value of 1}\text{st Sample} \]

\[ \overline{X}_2 = \text{Mean value of 2}\text{nd Sample} \]

\[ S_1 = \text{Standard Deviation of 1}\text{st Sample} \]

\[ S_2 = \text{Standard Deviation of 2}\text{nd Sample} \]

\[ n_1 = \text{Number of variables in the 1}\text{st Sample} \]

\[ n_2 = \text{Number of variables in the 2nd Sample} \]

1.9 LIMITATIONS OF THE STUDY
(i) The researcher is concerned with the public and private sector banks only and has excluded their associates, subsidiaries and joint ventures, otherwise the study will be holistic in its approach.

(ii) The study is confined to Dindigul district and limited to six banks only. Other banks have been excluded from the survey which includes some of the commercial banks too.

(iii) The validity of the study depends on the truthfulness of the replies given by the respondents to the interview schedule and also the study is subject to recall bias.

1.10 PROFILE OF DINDIGUL DISTRICT

A brief description of the study area includes the history of study area, physiography, origin, location and area, bifurcation, boundaries, administrative structure, economic importance, demographic features and other general information.

1.10.1 History of the Study Area

The history of Dindigul has revolved around the Dindigul fort as the fort is located in a position of great strategic importance with commanding views to the pathways loading to Madurai from the northern side, especially from Coimbatore. Dindigul and its fort have figured prominently in the military operations of the Marathas in the 17th and the 18th centuries and of Hyder Ali in 1755. It is captured by the British thrice in the years 1767, 1783 and 1790. It is restored to Hyder Ali under a treaty after the first two captures and has ceded to the east India Company after its capture, in 1799. The Dindigul town has a sizeable population of both Muslims and
Christians as the place have been under the army of Hyder ali and later under the British army subsequently.

1.10.2 Physiography

The district has extensive hilly and rocky areas with vast undulating plains. Palani hills form the northern spur of the Western Ghats. The height of the hills ranges from 1000 to 2700 meters and the elevation ranges from 300 to 700 meters in the plains. The upper plains have average height of 2500 meters comprising of three valleys namely, the Parappar Devangarai valley, the Guntar valley and the Uppen Amaravathi valley which contain several peaks such as the Perumal hills, Vandarava hills and the like. They consist largely of plateaus made up of rolling down covered with coarse grasses and isolated shallow places in the villages.

1.10.3 ORIGIN

Dindigul comes from the portmanteau of ‘Thindu’ meaning pillow and ‘kal’ meaning a rock. This huge rock hill on which the fort is constructed, looked like a pillow (Thindu) when viewed from the south east angle and hence the city is known as Dindigul. It is “the city of locks and tanneries”, and is a fast growing city in India. It has attracted a great deal of educational sector investments. The city is also possessed of a large number of textile mills. The Dindigul fort is one of the major landmarks of the city, and is visible from several kilometers of its surrounding areas. This fort is located at a height of 280 feet.
1.10.4 Location and Area

The position of the district in the World map is between 10°05’ and 10°09’ of north latitudes and 73°70’ and 78°20’, of east longitudes. The total geographical area of the district is 6266 sq.km. The district has constituted 4.8 percent of the total area of the Tamil Nadu state (130059 sq.km).

1.10.5 Bifurcation

Madurai district is bifurcated into the Madurai and the Anna districts. The six taluks namely, Palani, Vedasandur, Natham, Dindigul, Kodaikanal and Nilakkottai of Madurai district are transferred to a newly formed Anna district. Later, in the year 1989, the name of the Anna district is changed and named as the Dindigul Quaid-E-Milleth district.

Since the district of Dindigul and the Quaid-E-Milleth district are parts of the undivided Madurai district, its historical past is the same as that of its parent district namely, the Madurai district. On the 18th of July 1991, the name of the district is changed as the Dindigul Anna district. In 1996, the name is changed again as the Mannar Thirumalai district. Finally, in July 1997, once again the name is changed as the Dindigul districtv. From among those original six taluks. Two more taluks have been carried out and the names of the two new taluks are Oddanchatram and Athoor.

1.10.6 Boundaries

The district is bounded by Erode, Coimbatore, Karur and the Trichy districts on its north, by the Sivaganga and the Trichy districts on its east, by the Madurai district on its south and by the Theni and the Coimbatore districts and the Kerala state on its west. The administrative headquarters of the districts located in the Dindigul townvi.
1.10.7 Administrative Structure

The Dindigul district has three revenue divisions comprising of the Dindigul, Palani and Kodaikanal. There are eight taluks in the district, namely, Dindigul, Palani, Vedasandoor, Oddanchatram, Nilakkottai, Natham, Athoor and Kodaikanal. Athoor, Batlagundu, Nilakkottai, Reddiarchatram, Palani Oddanchatram, Vadamadurai, Vedasandoor, Natham, Sanarpatti, Thoppampatti, Gujilamparai, Kodaikanal and Dindigul are the development blocks in the district. The names of the taluks and the names of the blocks and their respective revenue divisions have been presented in Table 2.1.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Revenue Division</th>
<th>Name of the Taluks</th>
<th>Name of the Blocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dindigul Division</td>
<td>1. Dindigul</td>
<td>1. Dindigul</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Nilakkottai</td>
<td>2. Sanarpatti</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Athoor</td>
<td>3. Athoor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Natham</td>
<td>4. Reddiarchatram</td>
</tr>
<tr>
<td>2</td>
<td>Palani Division</td>
<td>5. Palani</td>
<td>1. Palani</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. Oddanchatram</td>
<td>2. Oddanchatram</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. Vedasandur</td>
<td>3. Thoppampatti</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TABLE 1.2

DETAILS OF REVENUE DIVISIONS, TALUKS AND BLOCKS IN THE DINDIGUL DISTRICT
Dindigul, which is under the rule of the famous Muslim monarch, Tippu sultan, has a glorious past. The historical rock fort in the Dindigul city has been constructed by the famous naick king, Muthukrishnappa naicker. For a long time, Dindigul town have been associated with iron locks, iron safes of very good quality as also of durability. A lock manufacturing unit in the co-operative sector has also been functioning in the Dindigul town. Another industry for which Dindigul is best noted is leather tanning. The district is having a flourishing handloom industry at Chinnalapatti, which is located at a distance of 11 kilometers from the Dindigul town on the Madurai-Dindigul four lane national highways. Art silk sarees and cotton sungudi sarees produced in Chinnalapatti are famous for their design and quality throughout India. Dindigul city has important wholesale markets, for onion and groundnut and has a well knit network of inter-district roads connecting Coimbatore, Erode, Tiruchy, Karur, Madurai and the Sivaganga districts. The Dindigul district is having a famous vegetable Gandhi market in Oddanchatram. The mango juice factory and mango pulp industry are famous industrial units located in the Natham taluk. Educationally, the Dindigul town is a well developed and a popular city. Two universities, and a number of

<p>| | | |</p>
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<th></th>
<th></th>
</tr>
</thead>
</table>

4. Vedasandur
5. Vadamadurai
6. Gujiliamparai

Source: www.tn.gov.in

1.10.8 Economic Importance

Dindigul, which is under the rule of the famous Muslim monarch, Tippu sultan, has a glorious past. The historical rock fort in the Dindigul city has been constructed by the famous naick king, Muthukrishnappa naicker. For a long time, Dindigul town have been associated with iron locks, iron safes of very good quality as also of durability. A lock manufacturing unit in the co-operative sector has also been functioning in the Dindigul town. Another industry for which Dindigul is best noted is leather tanning. The district is having a flourishing handloom industry at Chinnalapatti, which is located at a distance of 11 kilometers from the Dindigul town on the Madurai-Dindigul four lane national highways. Art silk sarees and cotton sungudi sarees produced in Chinnalapatti are famous for their design and quality throughout India. Dindigul city has important wholesale markets, for onion and groundnut and has a well knit network of inter-district roads connecting Coimbatore, Erode, Tiruchy, Karur, Madurai and the Sivaganga districts. The Dindigul district is having a famous vegetable Gandhi market in Oddanchatram. The mango juice factory and mango pulp industry are famous industrial units located in the Natham taluk. Educationally, the Dindigul town is a well developed and a popular city. Two universities, and a number of
engineering, arts and science, educational, and polytechnics institutions are located in this district. This district has been reorganized as a famous tourist place. The queen of hills the Kodaikanal hill resort and one of the six celebrated hill abodes of Lord Muruga, Arulmigu Dhandayuthapani Swami Temple is located in Palani in the Dindigul district.

1.10.9 Demographic Features

The area and population of the Dindigul district and in all the 14 blocks of the Dindigul district has been presented in the Table 1.2.

**TABLE 1.3**

DISTRIBUTION OF THE AREA AND POPULATION OF THEIR DINDIGUL DISTRICT FOR THE YEAR 2011-2012

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Blocks</th>
<th>Area in (Sq.Km)</th>
<th>Population</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Males</td>
<td>Females</td>
<td>Total</td>
</tr>
<tr>
<td>1</td>
<td>Dindigul</td>
<td>358.59</td>
<td>175105 (18.09)</td>
<td>173031 (18.12)</td>
<td>348136 (18.10)</td>
</tr>
<tr>
<td>2</td>
<td>Athoor</td>
<td>266.39</td>
<td>72916 (7.53)</td>
<td>73223 (7.67)</td>
<td>146139 (7.6)</td>
</tr>
<tr>
<td>3</td>
<td>Reddiarchatram</td>
<td>464.06</td>
<td>56612 (5.85)</td>
<td>56298 (5.9)</td>
<td>112910 (5.87)</td>
</tr>
<tr>
<td>4</td>
<td>Shanarpatti</td>
<td>293.04</td>
<td>54231 (5.60)</td>
<td>53589 (5.61)</td>
<td>107820 (5.61)</td>
</tr>
<tr>
<td>5</td>
<td>Natham</td>
<td>652.71</td>
<td>67422 (6.96)</td>
<td>66786 (6.99)</td>
<td>134208 (6.98)</td>
</tr>
<tr>
<td>6</td>
<td>Nilakottai</td>
<td>249.78</td>
<td>74191 (7.66)</td>
<td>72141 (7.56)</td>
<td>146332 (7.61)</td>
</tr>
<tr>
<td></td>
<td>City</td>
<td>Area</td>
<td>Male Pop.</td>
<td>Female Pop.</td>
<td>Total Pop.</td>
</tr>
<tr>
<td>---</td>
<td>---------------</td>
<td>-------</td>
<td>-----------</td>
<td>-------------</td>
<td>------------</td>
</tr>
<tr>
<td>7</td>
<td>Batlagundu</td>
<td>190.74</td>
<td>53347</td>
<td>51055</td>
<td>104402</td>
</tr>
<tr>
<td>8</td>
<td>Palani</td>
<td>591.56</td>
<td>101432</td>
<td>100124</td>
<td>201556</td>
</tr>
<tr>
<td>9</td>
<td>Oddanchatram</td>
<td>508.47</td>
<td>61895</td>
<td>62002</td>
<td>123897</td>
</tr>
<tr>
<td>10</td>
<td>Thoppampatti</td>
<td>602.15</td>
<td>54732</td>
<td>53880</td>
<td>108612</td>
</tr>
<tr>
<td>11</td>
<td>Vedasandur</td>
<td>333.47</td>
<td>51752</td>
<td>51897</td>
<td>103649</td>
</tr>
<tr>
<td>12</td>
<td>Vadamadurai</td>
<td>345.00</td>
<td>49771</td>
<td>48788</td>
<td>98559</td>
</tr>
<tr>
<td>13</td>
<td>Guziliamparai</td>
<td>367.85</td>
<td>43393</td>
<td>42756</td>
<td>86149</td>
</tr>
<tr>
<td>14</td>
<td>Kodaikanal</td>
<td>1042.8</td>
<td>51338</td>
<td>49307</td>
<td>100645</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6266.64</td>
<td>968137</td>
<td>954877</td>
<td>1923014</td>
</tr>
</tbody>
</table>

Note: Figures in the parentheses are percentages to total.

Source: Office of the Assistant Director of Statistics, Dindigul District


The area and population in the fourteen blocks classified according to the different blocks and according to sex in the Dindigul district. The Dindigul district has a total population of 19,23,014 persons as per the 2001 Census, out of whom 9,68,137 are males and 9,54,877, are females.
As far as the fourteen blocks are concerned, the 2001 census has revealed that the population of the Dindigul block is the highest compared to the other thirteen blocks constituting about, 18.10 per cent of total population in the district. In the Dindigul block the male population is about 18.09 percent and the female population is about 18.12 per cent of the total population of the block and among the other thirteen blocks, the Guiziliamparai block in the Vedasandur taluk have the lowest population in this district. The male population is only 4.49 per cent of the population of the district and the female population is 4.48 per cent of the district population.

The area is the largest in the Kodaikannal block with 1042.83 square k.m., and the lowest in the Batlagundu block with 190.74 sq.km. The Dindigul district has covered total area of 6266.64 k.m.,

1.10.10 Communications

The Dindigul district is well served by both roadways and the railways. The major surfaced roads are the national highways and the state highways. The Dindigul-Chennai is an important and main railway line and the electric train passes through this district. Madurai is the nearest airport which is connected by air to Chennai, Trichy, Coimbatore, Cochin and also Hyderabad.

The National Highway NH-7, connecting Kashmir in the north to Kanyakumari in the south and passes through this district. The National Highway NH 45 connects Dindigul to Chennai.

1.10.11 Financial Institutions

Both institutional and non-institutional agencies have been a vital role in meeting the credit requirements of the farmers in the district. The major institutional agencies in the district comprise of 196 primary agricultural and rural development banks 17 district central co-operative banks, 27 scheduled commercial banks and 171 nationalised banks with a numbers of branch offices.

The co-operative societies serve as a useful agencies for lending to the farmers their the required credit and they serve also as sources for the supply of agricultural inputs such as fertilizers and pesticides to the farmers, besides, the scheduled commercial banks has also been providing loans to the farming community.
1.10.12 Marketing Facilities

Dindigul district is an important wholesale market centre for onions and groundnuts. Oddanchatram is famous for its curd, vegetables, onions and poultry units and the products of the area are marketed throughout the country. The Nilakkottai taluk is quite famous for the growing and marketing of flowers and the grapes. Batlagundu is an important market centre for tomato. The Palani taluk is famous for growing mango and for marketing guava and the Natham taluk is famous for growing different mango varieties and for marketing mango and the mango juice factory units have markets throughout the World.

1.11 CHAPTER SCHEME

Chapter I covers the introduction to the subject in brief, the statement of the problem, the objectives, methodology, hypotheses, the limitations and the chapter scheme.

Chapter II presents the related review of literature.

Chapter III describes the various net banking services provided by the commercial banks in India.

Chapter IV describes the socio-economic profile of the customers and the measurement of dimensions relating to internet banking in public and private sector banks.

Chapter V analyses customer attitude and the factors influencing internet banking.

Chapter VI exhibits the summary of findings, suggestions based on the analysis and observations of the study, the conclusion and the scope for future research.