CHAPTER – I
INTRODUCTION AND DESIGN OF THE STUDY

INTRODUCTION

Technology in Indian banking has evolved substantially from the days of back office automation to today’s online, centralized and integrated solutions. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. With the expansion of internet usage, e-banking has become one of the most revolutionized components of today’s economic growth. E-banking is powerful value added tool to attract new customers and retain the existing ones. With the proliferation of internet and computer usage, the electronic delivery of e-banking service has become ideal for banks to meet customer expectations. Besides it helps in eliminating costly paper handling and teller interaction in the increasingly competitive banking environment. The potential competitive advantage of e-banking lies in the areas of cost reduction and satisfaction of consumer needs. As per the international report the banking transactions on a brick and mortar banking costs around Rs.50, while through ATM it costs around Rs.14 to Rs.15. On the other hand internet transaction costs less than a rupee. Providing banking is increasingly becoming a ‘need to have’ than a ‘nice to have’ service. The e-banking thus now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services. Arunachalam L and SivaSubramanian. M, 2007)¹

E-BANKING SERVICE IS INEVITABLE

Electronic distribution channels provide alternatives for faster delivery of banking services to a wider range of customers. (Kaleem and Ahmed 2008).²

Most of the customers who start banking online do it because they need to pay bills frequently and would like to do it with minimum effort. Besides that, people use the internet banking to keep an eye on their money matters, view their account balance and check security payments from other parties. (Kolodinsky JM Hogarth, and Hilgert MA, 2004) Information technology enabled electronic channels to perform many banking function that would traditionally be carried out over the counter (Giannakoudi 1999) the use of paper cheques has been supplemented step by step with e-cheques (electronic images) allowing banks to have more storage capacity, reduce costs, and improve customers services (Rose and Hudgins 2005).

E-banking provides enormous benefits to consumers in terms of the ease and cost of transactions. Online banking helps banks to retain their existing customers, improve customer satisfaction, increase banks’ market share, reduce administrative and operational cost and more importantly improve banks’ competitive position. (Khalfan et al, 2006).

Meaning of electronic banking

E-banking is conducting ones banking or bank account online through a computer and an internet connection. “Electronic banking is the use of a computer to retrieve and process banking data (statements, transaction details, etc.) And to initiate transactions (payments, transfers, requests for services, etc.) directly with a bank or other financial services provider remotely via a telecommunications network”.

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Electronic banking is a new industry which allows people to interact with their banking accounts via the Internet from virtually anywhere in the world. The electronic banking system allows consumers to access their banking accounts, review most recent transactions, request a current statement, transfer funds, view current bank rates and product information and reorder checks. The electronic banking system can be seen as an “extension of existing banks.”

**Expectation of bank customers**

The introduction of electronic banking services also creates new tasks to be forced, such as the optimization of distribution channels and the security of data transfer. The customer will not purchase a service that fails to meet his requirements or a service that does not guarantee the required privacy and security. E-banking is a fast spreading service that allows customers to use computer to access account-specific information and possibly conduct transactions from a remote location - such as at home or at the workplace. ATM cards, credit cards, debit cards, smart cards, all these have eased human life up to such a extent that today life without these seems to be hard, full of misery.

Internet made e-banking trustworthy and useful. Real time banking, 24x7 days banking, banking from anywhere, safe and secure banking, high performance and flexibility. E-Banking is using everyday advancements in technology, which makes it smart and banking system of today and tomorrow. Bank customers across the world are now more willing to bank online as they are more comfortable with internet. They also want to avoid teller lines and telephone queues. As a consequence of the popularity of the Internet, hundreds of thousands of Internet users are trying electronic banking. Internet continues to expand the convenience associated with electronic banking will attract more customers. One expectation of electronic banking is that it will replace the need for writing cheques. In today’s market, “According to preliminary data from the latest Federal Reserve survey of patterns of consumer spending, almost four-fifths of consumer expenditures are handled by cheques directly or indirectly.”
This means that electronic banking has a very large potential for use since many people expect that electronic cheques will substitute paper cheques. Moreover, for consumers, electronic money (electronic cash and electronic cheques) means greater efficiency than using coins, paper bills, and traditional banks. The electronic banking system brings the convenience of 24-hours, seven days a week, banking by offering home PCs tied directly to a bank’s computers. In addition, electronic money also offer greater security than a paper-and-coin system. Users are able to make a backup copy of their funds and if the electronic money is stolen, the users can invalidate the serial number just as they now stop payment on a paper check.

MEASUREMENT OF E-BANKING SERVICES

Banks are investing a lot of money on web technologies and are therefore expecting numerous benefits on their investments. The intensifying competition on today’s market has forced banks to seek profitable ways to differentiate themselves. The success in their customer centered businesses is to deliver high service quality. Banks have become more aware of customers needs and demands, due to the intensifying competition.

Therefore the banks are seeking profitable ways to differentiate themselves and their services towards their competitors. With the basic understanding of service quality, the measurements, that can be obtained both traditionally and online within the banking industry is important to consider how well designed computer programs and web pages can obtain competitive service. Quality can be seen as the extent to which a service meets customers needs and expectations (Lewis. B & V. Mitchell 1994,).

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Al. Hawari M and W.Tony 2006)\(^8\) describes that service quality impacts on customer satisfaction which in turn affects the financial performance of banks. Keeping existing customers as well as attracting new ones is a critical concern. Hence it is important to analyze the service qualities of e-banking services delivered over internet.

Service quality involves the degree of customer satisfaction attained by businesses while meeting the needs and expectations of the customers who are key actors of the business. Perceptions can be defined as the consumers’ beliefs concerning the received or experienced service.

**ESSENTIALS OF COMPARATIVE STUDY OF E-BANKING SERVICES**

The growth of e-banking with the increase in the range of interface options available to access online, banking solution has resulted in a steady increase in the number of customers interacting through remote channels, to a greater extent than before. In a climate of increasing online competition banks that have chosen to retain extensive branch networks are re-aligning the roles of staff in these branches and moving towards a relationship driven sales culture.\(^{9}\) Trichy is an educational city where maximum number of professionals and business people carry the commercial activities through banks. To know how far the customers of the banks are utilizing different e-banking services for their convenience a comparative study is done among the select banks in Trichy.

**STATEMENT OF PROBLEM**

The government is launching many new programs in the country which are suitable to people’s community in order to meet the objective of country’s development. One such program is launching of e-banking services. As the e-banking services have started flourishing in the district in the past few years, the banking organizations have to meet the competition among the banking sector.


Hence they are forced to do the various forms of e-banking services. It is very important in the point of view of the banks to have a study about the opinion and satisfaction of the customers. So the purpose of the research is to study the views of the customers in using the e-banking services. This study is conducted in selective nationalized and private commercial banks in Trichirappalli district. The respondents of the study were the customers of the banks using various e-banking services. (ATM/Debit card, credit card, online banking, mobile banking and Tele banking). Therefore the researcher has identified the research area to find the geniuses of e-banking and it is found to be important to have a comparison between the nationalized banks and private banks. Therefore an attempt is made by the researcher to have a comparative study between the nationalized banks and the private banks on the basis of opinions of customers.

**SCOPE OF THE STUDY**

The research is based on the customers’ perception regarding e-banking services. The research discusses the opinion of the customers regarding the e-banking services provided by the selected banks and the qualities of the e-banking services in the area of reliability, responsiveness, security, easy use, accessibility and efficiency. Also the research analyses the problems faced by the customers while using the e-banking services. The research evaluates the relationship between the activities undertaken through e-banking services by the customers, the qualities of e-banking services and the problems of e-banking services.

The researcher has taken ATM/debit card, credit card, mobile banking, online banking and Tele banking as the e-banking services which the customer uses for various modes of services like mobile recharge, payment of telephone bill, payment of electric bill, money transfer, railway ticket booking, air ticket booking, filing of tax returns, investments etc). The researcher also analyses the problems faced by the customers while dealing with the e-banking services.
OBJECTIVES
1. To study the nature of e-banking services provided by the selected nationalized and private commercial banks in Trichirappalli district.
2. To evaluate, analyze and compare the opinions and satisfaction level of customers of e-banking services provided by the selected nationalized and private banks in Trichirappalli district.
3. To understand and compare the problems faced by the customers of nationalized and private commercial banks in using e-banking services.
4. To offer suggestions to improve the e-banking customer services.

HYPOTHESIS
1. There is a significant difference between nationalized banks and private banks of the respondents and the e-banking services.
2. There is a significant difference between nationalized banks and private banks of the respondents and the problems of e-banking services.
3. There is a significant difference between age, gender, occupation, education, monthly income of the respondents and the qualities of overall e-banking services.
4. There is a significant difference between account access through internet of the respondents and the qualities of overall e-banking services.
5. There is a significant relationship between nature of services like ATM/debit card, Credit card, Mobile banking, Online banking and Tele-banking of the respondents and their overall e-banking services.
6. There is a significant relationship between various modes of services (mobile recharge, payment of telephone bill, payment of electric bill, money transfer, railway ticket booking, air ticket booking, filing of tax returns, investments and others) of the respondents and their overall e-banking services.
7. There is a significant relationship between various modes of services (mobile recharge, payment of telephone bill, payment of electric bill, money transfer, railway ticket booking, air ticket booking, filing of tax returns, investments and others) of the respondents and their overall e-banking services.
returns, investments and others) of the respondents and their various problems of e-banking.

METHODOLOGY

The customers who are making use of the electronic banking services provided by nationalized and private banks in Trichirappalli district constitute the universe. Since the study is a comparative study on E-banking services among the banks, the total commercial banks are classified into two namely, nationalized banks and private banks. The researcher randomly selected five nationalized banks and five private banks from among the banks which are popularly known for e-banking services.

State bank of India, Indian Bank, Indian Overseas bank, Canara Bank, Bank of India are the banks selected from the nationalized category. ICICI Bank, Lakshmi Vilas Bank, Karur Vysya Bank, Catholic Cyrian bank, Federal bank are the banks selected from private bank sector. The researcher identified and selected sample respondents who are provided e-banking services by the selected nationalized and private banks not exceeding 50 number from each of the nationalized bank category and private bank category under simple random sampling technique. Therefore the sample size is 500. The necessary primary data was collected from the sample respondents by personal interview method. A process of cross-checking was highly established to ensure the authenticity of the data and the veracity of the interviews with the help of pre-testing and pilot study mechanism.

The secondary data and other reviews are collected from the books, journals, newspapers, government publications, annual reports, bulletins and VIP’s addresses. The secondary data was also collected from Head quarters of each of the selected nationalized and private banks for the formulation and inclusion of the chapter, profile of the study. The nature of the study is the combination of comparative and exploratory study. Analysis of the study is done with the help of the relevant statistical tools like Kruskal-Wallis test, Mann
Whitney test, Chi-square test, T-test, Correlation analysis, one way anova and inter correlation matrix analysis

**RESEARCH DESIGN**

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<th>Private (n=250)</th>
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<tr>
<td>2</td>
<td>SBI</td>
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<td>3</td>
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<td>4</td>
<td>IB</td>
<td>50(20%)</td>
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</tr>
<tr>
<td>5</td>
<td>Bank of India</td>
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<td>0</td>
</tr>
<tr>
<td>6</td>
<td>KVB</td>
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<td>50(20%)</td>
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<tr>
<td>7</td>
<td>LVB</td>
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<td>50(20%)</td>
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<tr>
<td>9</td>
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<tr>
<td>10</td>
<td>Federal Bank</td>
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**LIMITATIONS**

The study is restricted to the customers’ perspectives. Therefore it does not cover any performance appraisal or opinion on e-banking services from bankers’ perspective. The results of the study cannot be substantiated to other areas of the state and country.

**CHAPTERISATION SCHEME**

- The first and introductory chapter deals with introduction and design of the study and describes briefly the theme of the study, significance of the study, specific objectives of the study, hypothesis, methodology and limitations.
- The second chapter deals with concepts and review of literature.
- The third chapter gives profile of the study area and progress of e-banking in India.
The fourth chapter presents the analysis and interpretation of the study.

The fifth chapter describes the summary of major findings, suggestions and conclusions.

The next chapter deals with the concepts and review of the literature which forms the base of the study.