ABSTRACT

The need of the hour is leveraging e-banking in Indian banking industry for providing affordable and cost-effective banking services to the masses through multi-delivery channels of electronic banking. E-banking services differ from bank to bank depending on the type and size of the bank. Costs of financial transactions are reduced significantly and increased the competitiveness of banks with the increased efficiency of banks. Reserve Bank of India aims to promote a less cash/less paper society, with increased emphasis on the use of electronic payments, products and services, especially by the populace which is still not covered by these products.

This study analyses various issues for e-banking services for different banks and compare to find which bank or banks group has greater efficiency, productivity and fast services among all banks and also suggest different strategies to public and private banks for improving their efficiency, productivity and services. Customers’ opinion to adopt e-banking services is also analyzed for public & private sector banks and separate models are framed for the customers of two banks group. Employees’ opinion is also taken under consideration to know the bigger picture of technological development. Various statistical tools like descriptive analysis, annual growth rates, compounded annual growth rate, correlation, regression, cronbach’s alpha, data envelopment analysis, structural equation modeling, t-test and Mann-Whitney U test are applied in this research work.

Results depict that the share of electronic transactions to total transactions has increased over the period of time. Number of outstanding debit cards in India is almost 21 times more to that of outstanding credit cards. Due to adoption of
information technology, public sector banks are becoming efficient but prior to 2009-10, private sector banks dominated the formation of efficient frontier of Indian banking industry. The mean Overall Technical Inefficiency of Indian banking industry has decreased by 2.32% from 2004-05 to 2012-13. This increase in Overall Technical Efficiency is contributed by both the sectors. Public sector banks group has been the winner to reduce its operating expenses after applying e-banking services. All e-banking services are found more effective for strengthening the performance of banks except credit cards. In spite of this most of performance variables are positively and significantly correlated with e-banking services and e-banking service index. E-banking services show highest correlation with total income per employee and spread per branch for public sector banks group and private sector banks group respectively. There is a significant impact of e-banking services on the performance of public and private sector bank groups in India. ATM offsite is most important service to impact the performance of public and private sector bank groups. It is found that there are two limitations of ‘internet facility’ and ‘lack of security’ in case of public sector banks which must be resolved. ‘Simplification of rules and procedures’ and ‘need to conduct surveys on customers’ requirements’ are the suggestions provided by public sector banks employees whereas ‘conduct demo-fare regarding e-banking services for customers’ and ‘creating more variety of services to customer’ are the suggestions provided by private sector banks employees. ATM is found most important e-banking service for public and private sector banks. Trust is the most important construct to affect behavioral intention to use e-banking services for the customers of public and private sector banks in India.

Keywords: E-banking, public sector banks, private sector banks, competitiveness.