CHAPTER I

INTRODUCTION

Banks play a major role in all the economic and financial activities in India. A strong banking sector is necessary for all economies to develop and expand. Banks mobilise the savings of an individual and manage better allocation of the resources. An efficient banking service is required to improve the productivity of Government, trading business, manufacturing industries, service industries and general public. Thus, Indian banks have a continuous progress over time to prepare itself to cater the needs of the customers. The success of a bank depends on its ability to attract and retain its customers.

A customer is a person who is utilising one or more of the services provided by the bank. A customer is a person through whom the bank gets an opportunity to make an earning in return to the service they provide the customer. Every bank always tries to maximise the satisfaction of their consumers by providing customised service and product. Everything in banking business depends on how well the bank product and services gives high degree of satisfaction to customers. Product and services that are offered must satisfy customer requirements at an affordable price. With regard to the service market, the best way of advertisement is word of mouth by customers that give popularity to services. A satisfied customer thus becomes hub to connect new customers to a bank.

In case of regular usage of services like banking services which a consumer uses more and starts to lose its utility seeking for alternatives, the bankers have to modify their service delivery channels at different time intervals and have to know different changing tastes of consumers to make their service stable and growing. Customer satisfaction is an important indicator of strategic success and helps in better understanding of customers’ perceptions. The measurement of customer
satisfaction helps the bankers to decide the areas to be improved and to meet the customers’ needs, thereby increase brand image and customer retention.

Introduction of electronic devices and an innovation in the information technology in provision of banking services brought a revolution in the operation of the banking sector. The development and dissemination of technologies helped bankers to adopt e-banking to have an efficient business practice and a channel to sell their services. E-banking is an apt generic term and an excellent provision, enabling banking services through electronic channels such as telephone, internet, cell phone, etc. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably.

The Rangarajan Committee (1989) stressed the implementation of ICT in banks to improve the quality of customer services and efficiency. In 1991, under the chairmanship of M.Narasimhan, a committee was named after him and worked for the liberalisation of banking practices. ICICI is the pioneer as it boosts a kick off start electronic banking. The on-line banking facilities have been introduced in India for the first time in 1996 for a limited range of services such as access to account information, correspondence and, recently, funds transfer between its branches. In 1997, the brand name “Infinity”, became the magic word in the banking and corporate sectors.

The major idea is to provide a series of services to the customer through the internet, and make the customer feel flexible in calling out simple tasks faster instead of paying frequent visits to the bank every time. The e-banking service is open to all the bank account holders irrespective of the nature of account and demographic segment of the customers. E-banking has become a competitive strategy in the different sectors of banks because of the convenience and the comfort that it brings to the customers.

In India, e-banking concept is not meant for a particular banking service. The idea is gradually disseminated into various stages taking multi dimensions in
different period. The initial step of e-banking services is MICR cheque and ECS. The next upliftment that took place in e-banking concept was ATM and CBS. ATM has set its identified trademark in e-banking services. Usage of ATM has become inevitable in the lives of human being. The ICT enabled banking services facilitate the bank employees to deliver prompt and efficient service to the customers which results not only obtains customer satisfaction but also retains the potential customers. The option of accessing banking services through various e-delivery channels is an added advantage to the customers.

Internet facility is a credit for making the customers to be smart in using it for their financial and non financial transactions. Especially the customers make use of the internet facility which is supported in computers and smart phones. The option through internet, debit and credit card and mobile phones makes customers feel more comfortable and relaxed. The customers get their official and professional hour for availing banking services which they are supposed to do. Hence the customers do not need to be time and space bound.

While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors. Initiatives of Indian Government and Reserve Bank of India (RBI) have facilitated the development of e-banking in India. The Government of India enacted the IT Act, 2000, which provides legal recognition to electronic transactions and other means of electronic commerce. The RBI has been preparing to upgrade itself as a regulator and supervisor of the technologically dominated financial system. It issued guidelines on risk and control in computer and telecommunication system to all banks, advising them to evaluate the risks inherent in the systems and to take necessary steps for the same. Many control mechanisms like Payment and Settlement Systems Act, 2007 and National Payments Corporation of India address the risks in the e-banking system. The existing regulatory frame work over banks has also been extended to e-banking. It covers various issues that fall within the frame work of technology, security standards and legal and regulatory issues.
1.1 PUBLIC AND PRIVATE SECTORS BANKS IN E-BANKING SERVICES

Indian Commercial banks are dominated by two broad categories namely, Public sector banks and Private sector banks. Public sector banks are controlled and managed by the Government of India. Allahabad Bank, the first fully owned Indian bank was founded in the year 1865. Public sector banks have been serving the nation for over centuries and are well known for their affordable and quality services. The banking sector in India is mostly dominated by the Public sector banks. The Public sector banks in India alone account for about 71 percent of the total advances in the Indian banking industry. Public sector banks have shown remarkable growth over the last five decades. They are divided into two groups i.e. Nationalised Banks and State Bank of India and its associates. There are 19 nationalised banks and 8 State Bank of India associates. Public Sector Banks dominate 75% of deposits and 71% of advances in the banking industry.

The concept of private banking was introduced 15 years ago. These banks do not have any Government stakes. Private Banks have gained quite a strong foothold in the Indian banking industry over the last few years especially because of optimum use of technology. The private banks are accountable for a share of 18.2 percent of the Indian banking industry. IndusInd Bank was the first private bank in India. Currently ICICI is the bank among the fastest growing private banks in the country.

Private sector banks came into existence to supplement the performance of Public sector banks and serve the needs of the country better. As the public sector banks were merely in the hands of the Government, banks had no incentive to make profits. Private sector banks are the banks which are controlled by the private lenders with the approval from the RBI their interest rates are slightly costly as compared to Public sector banks.

Almost all the e-banking services have been introduced by public and private sector banks. First bank to introduce ATM in India is HSBC. Internet banking is
introduced by ICICI in India. A complete mobile banking is introduced by ICICI in India. The country is flooded with foreign banks and ATM centers. Efforts are taken to give satisfactory service to customers. ICICI is getting into e-trading, thus offering a broader range of integrated services to the customer. Several finance portals for provision of non-banking financial services, e-trading and e-broking have come up. Commercial applications such as Electronic Bill Presentment (EBP) and procurement systems may not be introduced in India immediately, but are likely to have a greater impact than the retail applications. The corporate sector is adequately computerised and has already recognised the important role of e-commerce in future. Increasingly, companies are setting up websites even where there are no immediate tangible benefits to them from doing so.

A well developed financial system is one of the primary driving forces for the sustainable economic growth of a country. It is a major economic development factor for a developing country like India. The whole economy of a country mainly depends on the level of the growth of the financial system in the country. Since banks play a leading role in the financial system, the Government of India takes tremendous efforts to improve it all the time. Nationalisation of banks by the Government of India in the years of 1969 and 1980 streamline the working of banks towards public welfare. It provides a platform to improve banking industry and the economy of the country in a sustainable manner. But sensing the necessity of private participation in order to improve the banking industry with recent developments across the world, the Indian Government approved the liberalisation policy in early 1990s which paved way for implementation of new generation banking in India. The globalisation policy enables foreign banks enter into the market and flourishes with technology. This made all the banks to modernise the services with ICT in order to provide better services.

The Private sector banks are using state of the art technology and fully computerised systems since the time they entered the Indian market whereas the Public sector banks are not with all such facilities. The Private sector banks introduced the concept of online banking in India. This was mostly because the
private banks are technologically well equipped. Online banking is extremely common today because it is termed as anywhere banking.

Despite the technological challenges the public sector banks in India are still the preferred destinations for many as they are considered as safer options for money deposit. Public sector has many branches and offers banking even for rural people. Realising the competition and trend existing in the banking industry, public sector banks started offering many innovative technological services to the customers. A talking ATM service is introduced by Union Bank of India. First bank to introduce credit card in India is Central Bank of India.

In these days of intense competition, the banks are very particular in identifying the needs of their customers and how effectively that can be met. They strive to develop new strategies to differentiate themselves from their competitors by providing their customers with high quality banking services and high tech innovative products. It is to be noted that technical superiority and innovative products alone will not bring success; it is the quality of services and other factors that determine the success of any bank in attaining customer satisfaction. In India, the public sector banks realised their new role as new private sector banks had the advantage of starting with adequate capital resources, well trained and professional manpower, IT based products and services etc. The Core Banking System (CBS) in India brought the revolution in the banking industries and made both public and private sector banks more tech-savy. The real race started between public and private sector banks to attract new customers and to retain their existing customers.

The researcher elucidates the top listed banks (Public and Private) based on the number of branches in Chennai from the reliable source. All these ten banks offer five services taken up for the study and persistently take efforts to improve their efficiency in offering e-banking services thereby satisfying the needs of the customers.
The study has taken the top five public and private sector banks with more number of branches in Chennai for the study as detailed below:

**Table 1.1**

Top listed banks in Chennai on the basis of number of branches

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Number of branches in Chennai</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector Banks</strong></td>
<td></td>
</tr>
<tr>
<td>STATE BANK OF INDIA</td>
<td>194</td>
</tr>
<tr>
<td>INDIAN OVERSEAS BANK</td>
<td>180</td>
</tr>
<tr>
<td>INDIAN BANK</td>
<td>120</td>
</tr>
<tr>
<td>CANARA BANK</td>
<td>76</td>
</tr>
<tr>
<td>UNION BANK OF INDIA</td>
<td>40</td>
</tr>
<tr>
<td><strong>Private Sector Banks</strong></td>
<td></td>
</tr>
<tr>
<td>HDFC</td>
<td>92</td>
</tr>
<tr>
<td>ICICI</td>
<td>84</td>
</tr>
<tr>
<td>AXIS BANK</td>
<td>68</td>
</tr>
<tr>
<td>KARUR VYSYA BANK</td>
<td>66</td>
</tr>
<tr>
<td>TAMILNAD MERCANTILE BANK</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: www.prokerala.com

The present research has taken ATM, Internet banking, Debit Card/Credit Card, RTGS/NEFT and Mobile Banking services offered by Public and Private Banks in Chennai for the study. Customer satisfaction is being verified among these five services in order to identify the comfortable delivery channel and to improve the quality of the same. The level of satisfaction of these five services among public and private sectors is compared and suggestions are offered to improvise the services.

1.2 **SIGNIFICANCE OF THE STUDY**

The most popular mandate of developing country is to reach out to the poor by way of financial inclusion routed through banks. E-banking provides an opportunity to reach out to rural people catering to financial services. Government is expanding the current Direct Benefit Transfer (DBT) programme so as to transfer
the subsidies of various welfare schemes directly to the beneficiary’s bank account. Besides a basic banking account, a Rupay debit card having a built in accident insurance cover of Rupees one lakh is being provided. Usage of E-banking is beneficial for both, customers and banks. Thus it becomes an issue of national importance. It is very important to identify the factors relating to customer satisfaction in India. This study becomes important to suggest the customers to be aware of e-banking services and will help the bankers to introduce and strengthen the motivating factors of customer satisfaction with value added services as well as help the nation to hold the international standard and to have economic development in our country.

1.3 STATEMENT OF THE PROBLEM

Customer Satisfaction has been considered the essence of the success in today’s highly competitive banking industry. The expectations of the customers have been constantly increasing. There is a need for the banks to focus more on the benefits of the services rendered by them. E-banking is one such umbrella term which ensures all unique benefits which are expected by the bank customers. There are some problems that may be encountered by people while banking electronically, due to which many still prefer to go directly to banks instead of availing e-banking facility. To access e-banking services, a basic knowledge of computers, Internet, mobile phones and other electronic devices are required, which limits the number of people willing to avail this facility. While availing the e-banking services, one should be careful about the security. The security of the electronic banking service to a great extent depends on the security of the computer, password and pin number. Risk is an inevitable element of e-banking. Thus e-banking becomes a challenge to both public and private sector banks. Both in public and private sector banks, technological revolution has taken place quickly that they are able to offer quality services at reasonable cost. The value added services are incorporated in the provision of e-banking services. At this juncture, it is vital to identify the satisfaction factors and the dimensions to strengthen the satisfaction factors in order to induce or encourage the customers to use and continue to use the e-banking services.
1.4 OBJECTIVES OF THE STUDY

1. To study the usage of ATM, internet banking, debit, credit card services, Real Time Gross Settlement, National Electronic Fund transfer and mobile banking services for the period 2013-2015.

2. To find out awareness of e-banking services among bank customers and the factors influencing e-banking adoption.

3. To identify the problems of customers and to measure the level of satisfaction of e-banking services.

4. To analyse and interpret the various factors determining the level of satisfaction of customers in e-banking services.

5. To offer suggestions for improving customer satisfaction in e-banking services in Chennai.

1.5 HYPOTHESES OF THE STUDY

The following hypotheses are formulated and structured for the study:

- There is no significant difference between the Public and Private sector bank customers in the level of satisfaction of ATM Banking Services.
- There is no significant difference between the Public and Private sector bank customers in the level of satisfaction of Internet Banking Services.
- There is no significant difference between the Public and Private sector bank customers in the level of satisfaction of Debit/Credit Card Services.
- There is no significant difference between the Public and Private sector banks customers in the level of satisfaction with respect to RTGS, NEFT Services.
- There is no significant difference between the level of satisfaction of customers with respect to Mobile Banking Services in Public and Private sector banks.
1.6 SCOPE OF THE STUDY

The study emphasises the customers’ satisfaction with regard to selected e-banking services such as ATM, Internet banking, Debit/Credit card, RTGS/NEFT and Mobile Banking/SMS Banking services. The research solely focuses on the customers of Private and Public sector banks in Chennai. The research measures and identifies customer satisfaction towards e-banking services based on demographic factors, usage pattern and attributes of each service.

1.7 RESEARCH METHODOLOGY

The present research design is based on descriptive study. The study is based on mainly with primary data and ancillary with secondary data. Primary data are collected through survey method using structured questionnaire from the users of e-banking services in Chennai. Secondary data is obtained from annual reports of RBI, books, articles published in journals, magazines and some websites.

Questionnaire design

Survey has been conducted using structured questionnaire that was duly filled by the respondents. The first part of the Questionnaire comprises of demographic factors. The second part includes statements relating to awareness and usage pattern of e-banking services. The third part consists of the statement that will help to identify the factors determining e-banking selection. The fourth part consists of statements with general questions regarding customer satisfaction with Automated Teller Machine (ATM), Debit/Credit card, Internet Banking, Real Time Gross Settlement (RTGS)/National Electronic Fund Transfer (NEFT) and Mobile Banking.

Sampling

Convenience Sampling is applied for the study. The top five public sector banks and five private sector banks have been taken for the study, based on having more number of branches in Chennai. 10 branches of each bank have been selected
and 7 customers of each bank were taken for the study as respondents. Hence 700 questionnaires were distributed, out of which 681 questionnaires were complete and used for the study.

**Scaling technique in the questionnaire**

The questionnaire comprises both optional type and Statements in Likert’s 5 point scale. The responses to these sections have been obtained from the customers of e-banking service in the 5 point scale, which ranges as follows:

1–Highly satisfied, 2–Satisfied, 3–Neutral, 4–Dissatisfied, 5–Highly dissatisfied.

**Pilot study**

A preliminary investigation was done with the sample size of 100 to check the reliability of both dependent and independent variables. The researcher used normal distribution method to check the reliability of the independent variable. Cronbach alpha method is applied to check the reliability of the dependent variable. The normal distribution method identifies the existence of bell shaped curve for all the independent variables with 5% admissible errors. The Cronbach alpha application identified the alpha co-efficient >0.75 for all the dependent variables. This implied that the questionnaire constructed by the researcher is highly reliable to conduct the research.

**Tools used**

The collected data was analysed by using statistical tools such as One-sample t-test, independent t-test, Cluster analysis, Chi-Square analysis, Exploratory Factor Analysis, Confirmatory Factor Analysis, ANOVA, Linear Multiple Regression Analysis and Structural Equation Model.

The respondents are grouped based on their level of satisfaction by cluster analysis. The cross-tabulation analysis between two factors is also used and
association between two factors is tested using chi-square analysis. The significance of difference in group mean perception scores is tested with t-test for two groups and with F-test (one-way ANOVA). Independent t-test has been applied to compare the level of satisfaction of customers of Public and Private sectors banks. Linear Multiple Regression Analysis is used to explain the relationship of one continuous dependent variable with two or more independent variables. The impact of independent factors on customer satisfaction of e-banking services is evaluated with the help of multiple regression technique. EFA technique is used for the purpose of variable reduction and to find predominant factors. CFA technique is used to confirm the fitness of predominant factors. Structural Equation Model (SEM) technique is used to develop a model of customer satisfaction.

1.8 LIMITATIONS OF THE STUDY

- The study considered selective e-banking services such as ATM, Debit/Credit Cards, Internet Banking, RTGS/NEFT and Mobile Banking.

- E-banking services are still in a transitional stage and everyday there may be updates and modernisation. Hence the customers’ perception and experience are subject to change.

- The study covers the period from December 2011 to November 2016 (prior to demonetisation).

1.9 CHAPTERISATION SCHEME

The **first chapter** gives a brief introduction of e-banking services and the role played by public and private sector banks in e-banking services, followed by the statement of problem, significance of the study, objectives, research methodology and ends with limitation of the study.

The **second chapter** imparts Review of Literature. In this chapter, earlier research work and articles published in journals relevant to this study are reviewed.
The third chapter elucidates the overview of theoretical background of e-banking. This chapter briefly narrates the status of e-banking in India and need to analyse customer satisfaction.

The fourth chapter analyses the awareness of e-banking services among bank customers and usage pattern of e-banking service. The factors influences e-banking adoption are empirically evaluated in this chapter.

The fifth chapter interprets the factors determining customer satisfaction and problems of e-banking services. The effect of demographic factors on these two factors is also analysed in this chapter.

Last chapter concludes with summary of findings, suggestions and future scope of the study.
REFERENCES


7. www.prokerala.com