CHAPTER - I

INTRODUCTION AND RESEARCH DESIGN

1.1 Introduction

Banks play an important role in the economic development of a country. A bank is a financial institution that accepts deposits and channels those deposits into lending activities either directly or through capital markets. The bank connects customers which have capital deficits with those customers having capital surpluses. The banking industry in India is facing certain challenges i.e., challenges of quality service, customer satisfaction, customer retention and customer loyalty. Quality service plays a major role in achieving customer satisfaction and creating brand loyalty in banking sector. Indian Banking industry has been modernized with the advancement of science and technology since last two decades. Specially, after implementation of first phased plan (1985) of bank computerization in India and various plans and programmes implemented by the RBI, Indian commercial banks are adopting and implementing Information and Communication Technology for management of banks and for providing innovative banking services to their customers.

Technology has brought a complete paradigm shift in the functioning of banks and delivery of banking services. Gone are the days when every banking transaction required a visit to the branch of a bank. Today, most of the transactions can be done from home and customers need not visit the bank for deposits and withdrawals. Technology is no longer an enabler, but it has become a business driver. The growth of the internet, mobiles and communication technology has added a different dimension to banking. The information technology (IT) available today is being leveraged in customer acquisitions, driving automation and process efficiency, delivering ease and efficiency to customers.

With the current change in the functional orientation of banks due to modern IT technologies, the introduction of the purpose of banking is redefined. Now, the financial institutions are trying to provide all the services at the customer’s door step. The customer has become the focal point either to develop or maintain stability in the business. Every transaction with the customer is an opportunity to either develop or
destroy a customer’s faith in the bank. The customers at the present juncture are well exposed to unstoppable innovations in communication technology. He/she is aware of the kind of service level available in the banks around the world and thus expects the best from his/her bank. Customer service is not only a critical function but also plays a vital role for the business. It is the next most important business strategy. The improved customer service will definitely increase profitability of banks in India. A bank can be said as customer oriented only if its various organizational activities like organizational restructuring, staffing, and technology coordination are geared up to fulfill the needs of customers.

During the past two decades or so, regulatory, structural and technological factors have significantly changed the banking environment in India. In a milieu which becomes increasingly competitive, service quality as a critical measure of organizational performance continues to compel the attention of banking institutions. The interest is largely driven by the realization that higher service quality results in customers’ satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates. In short, it can be said that the technology upgradation is required not for improving the functionalities of the bank but to have sound customer base.

Over the last decade technology has transformed the landscape of Indian banking. The largest and oldest bank in India, the State Bank of India is the pioneer in technology adoption in India. This study aims to analyse on the Role of Technology in Customer Satisfaction in Banking Industry, with particular reference to State Bank of India (Chennai).

1.2 Empirical Significance of the Study

Technology is no longer an enabler, but a business driver. Technology has brought about a complete paradigm shift in the functioning of banks and delivery of banking services to its varied customers’ segments. Technology is no longer an enabler, but a business driver. The growth of the internet, mobiles and communication technology has added a different dimension to banking. The information technology (IT) available today is being leveraged in customer acquisitions, driving automation and process efficiency, delivering ease and efficiency to customers. Today, customers
expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels.

When a consumer freely chooses to use technology as a form of banking service delivery the impact is high in terms of service quality of the bank. Some of the quality factors that are highly important to banking consumers are “efficiency” and “speed”.

1.3 Statement of Problem

Banking is a customer oriented service industry which has witnessed a radical shift in the market power. The effectiveness and efficiency became the buzzword of the success of banking operations and its proper functioning particularly provides services to the customers. Service is an invisible thing which is indispensable for the person who extends it. An efficient or effective service is one which is extended appropriately by identifying and understanding the needs of the individual customer from time to time. Customer service is a dynamic interactive process which needs continuous improvement. With the advancement of information technology and communication system, the whole world has been reduced to a global village. The banks are striving to adopt customer relationship management and provide customer services to delight the customers and more over it will retain the existing customers and also attract new customers.

Increased competition highly educated customers, and increase in standard of living are forcing many businesses to review their customers service strategy. Many business firms are channeling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring new customer is greater than cost of retaining existing customers. There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment. Maximizing customer satisfaction through quality customer service has been described as “the ultimate weapon” by Davidow and Vital (1989). According to them, in all industries, when competitors are roughly matched, those with stress on consumer’s service will win. In view of the above discussed facts, researcher deemed it importance to analyze customers’ satisfaction towards modern technology enabled services offered by the State Bank of India.
1.4 Scope of the Study

This study aims to provide a comprehensive picture on the customers’ perception and their level of satisfactions towards IT based e-banking service offered by the one of the oldest bank in India, the State Bank of India. The researcher believes that the findings and suggestion will be useful to both the State Bank of India in particular and other Public sector banks in general in understanding their customers need want of service, and expectation towards service delivery. That may help the bank in restructuring its quality of service according to customers’ expectations.

1.5 Objectives of the Study

It has been recognized that effective customer service creates a niche for an organization in terms of customer satisfaction and retention amidst intense competition from others providing the same service. The researcher intends to achieve the aims of the study by examining the following specific objectives:

1. To draw a detailed theoretical discussion of the trend in technology adoption by the banks in India.
2. To study the demographic and Scio-economic status of the State Bank of India customers in Chennai.
3. To find out the range of services offered by State Bank of India using latest information technology to its customers and customers’ level of awareness towards these services.
4. To analyze the customer attitude towards updated technology service offered by the State Bank of India in Chennai and their opinion on the service quality dimension of e-services.
5. To examine the customer level of satisfaction towards technology based service practices and service quality dimension of e-services offered by State Bank of India in Chennai.
6. To measure the Gap in customers’ satisfaction towards technology based service practices and to offer feasible recommendations for enhancement of customers’ satisfaction.
1.6 Hypotheses of the Study

To draw empirical justification to the objectives of the study following hypotheses are framed.

H1: SBI Customers’ level of awareness toward e-banking technology is not influenced by their Educational Qualification.

H2: SBI Customers’ level of awareness toward e-banking technology is not influenced by their Occupational Status.

H3: There exists no close association between customers’ knowledge on the advantages of the technology enabled banking services and their Educational Qualification.

H4: There exists no close association between customers’ knowledge on the advantages of the technology enabled banking services and their Occupational Status.

H5: There exists wide gap in customers’ perception towards nature of technology enabled services offered by SBI and their level of satisfaction.

H6: There exists wide gap in customers’ perception towards quality of services (technology enabled services) offered by SBI and their level of satisfaction.

H7: There exist wide gap in customers’ perception towards the dimension of service quality of technology enabled services offered by SBI and their level of satisfaction.

1.7 Research Methodology

This empirical study is both explorative and descriptive in nature. First stage of the research was exploratory in nature, consisting of two phases. The initial phase was search of available secondary data (i.e.,) collection of review of literature. This exploratory search also forms basis for preparing the research tool i.e., the questionnaire for the next stage. A descriptive research was carried out at the second stage by applying a survey method. In fact the nature of this study demands survey method.
1.7.1 Significance of Geographical Region of the Study

Chennai is the capital city of the Indian State of TamilNadu. Chennai's economy has a broad industrial base in the automobile, computer, technology, hardware manufacturing and healthcare sectors. As of 2012, the city is India's second largest exporter of software and Business process Outsourcing (BPO) services. A major part of India's automobile industry is based in and around the city thus earning it the nickname “Detroit of India”. It is known as the Cultural Capital of South India and is the most visited city in India by international tourists according to Euromonitor. The city also serves as the location of the Madras Stock Exchange and the secondary financial hub in India following Mumbai. Prominent financial institutions, including the World Bank, Standard Chartered Bank, ABN AMRO, Bank of America, The Royal Bank of Scotland, Goldman Sachs, Barclays, HSBC, ING Groups, Allianz, Sumitomo, Mitsui Banking Corporation, The Bank of Tokay-Mitsubishi UFJ, the World Bank, (which has its world’s second largest office in Chennai with more than 700 employees), Standard Chartered Bank, ABN AMRO, Bank of America, The Royal Bank of Scotland, Goldman Sachs, Barclays, HSBC, ING Group, Allianz, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo – Mitsubishi UFJ, Abu Dhabi Commercial Bank, Asian Development Bank, Credit Suisse, BNP Paribas Fortis, Irevna Deutsche Bank and Citibank have back office and development center operations in the city. Chennai is home to the national level commercial banks Indian Bank and Indian Overseas Bank and many state level co-operative banks, finance and insurance companies. A Total 196 Branches of SBI branches are in operation in Chennai city. The contribution of Chennai city for the growth of financial market operation in India has motivated the researcher for selection of this Chennai circle for the study.

1.7.2 Rationality in Sample Selection

State Bank of India is India's largest bank with a network of over 15000 branches and 5 over associate banks located even in the remotest parts of India. State Bank of India was the first in India to introduce a code of Fair Banking Practices in the country called “Towards Excellence”. The code reflects the Bank’s continuing commitment to provide world-class banking services to all sections of society. A Total of 196 Branches of SBI branches are in operation in Chennai city.
• SBI has established an excellent technology and operation infrastructure for its Trade Finance business. e-Trade SBI, a web-based portal, which was launched by in March 2011, and it has been undergoing constant improvement to enhance customer comfort and provide the means to customers to access trade finance services with speed and efficiency by enabling them to lodge letters of Credit, Bank Guarantees and Bills Collection/negotiation requirements online from any corner of the world. As on 31.03.2014, 1748 Corporates are registered under e-Trade SBI and more than 15000 transactions per month are taking place through e-Trade platform.

• State Bank Group (SBG) continues to lead Debit Card issuance in the country with over 150 million Debit Cards as on 31st March, 2014 and over 40 per cent market share.

• The eZ-Pay Cards were aligned with most of the social schemes of the State and Central Governments in addition to salary payments by corporate entities, thus benefiting millions of households. Sales stood at Rs.829.19 crores in the year 2013-14. The Bank is the market leader with a market share of 57 per cent in transaction volume and 17 per cent share in terms of value.

• During 2013-14, financial transactions worth Rs.3,763 crores were executed through the Mobile Banking Service, resulting in an income of Rs.6.43 crores.

• Core Banking Project (CBS-Core Bank Service) environment has been benchmarked to support one billion accounts, over 250 million transactions in a day and delivered over 17,000 transactions per second. Biometric authentication as a second-factor authentication has been implemented in branches for all CBS users. The process for the systematic and proactive risk identification, assessment, measurement, monitoring and mitigation of various risks in the IT vertical has been initiated.

• State Bank of India, along with its Associate Banks has one of the largest ATM networks in the world with more than 51,491 ATMs including kiosks and Cash Deposit Machines as on 31.03.2014. SBI has issued more than 17.04 crores Cards. The ATM Base 24 Switch has recently been upgraded to handle close to 50,000 ATMs. The objective is to strengthen ATM facilities
across every nook and corner of this vast country and enhance customer convenience. The Bank’s internet banking solution is a comprehensive product for both retail and corporate users.

- The Bank’s Net Banking Platform "onlinesbi.com" provides secured and hassle-free on-line banking services to its retail and corporate customers, including PSUs and Government Agencies: This cost-effective channel has enabled 63.77 crores transactions during financial year 2013-14, achieving 52per cent growth over the previous year.

- Above all, SBI was awarded seven out of nine awards in the IBA (Indian Bank’s Association) Banking technology Awards in the year 2012-13: The Best Technology Bank of the Year, Best Internet Bank, Best use of Mobile Technology, Best use of Technology in Financial Inclusion, Best Customer Management Initiative, Best use of Technology in Training and e-learning and Best use of Technology in Business Intelligence. The pioneer roles played by the SBI in IT based technology adoption have motivated the researcher to choose this bank for the study.

1.7.3 Sample Framework

For the effective conduct of this study the researcher applied multi-stage random sampling techniques. In the first stage of the researcher adopted stratified random sampling techniques for classification and selection of geographical regions in Chennai city. In the second stage, researcher adopted convenience sampling techniques for collection of first-hand information on customers’ level of satisfaction towards technology (e-banking) services offered by the State Bank of India in Chennai.

In the first stage, the study covered all 196 Branches of SBI branches are in operation in Chennai city. The entire Chennai city is stratified (classified) into four zones North, South, East and West. These four zone branches were selected based on the importance of the geographical location of the area and volumes of business operation with SBI. In the second stage of the sampling, the customers of from these four zones were selected based on the convenience sampling techniques.
A pilot study was conducted with 50 respondents for the preliminary investigation to check the reliability and validity of the questionnaire. The pilot survey made is found to be reliable (KMO sample Adequacy: .737 and Cronbach Reliability of: .768). Hence the researcher made use of the questionnaire in the main study in that without any changes in the preliminary study.

A total of 400 samples were chose from these four zone (a sample of 100 respondents from each zone) using convenience sampling technique, the relevant data required for the study collected. Out 400 questionnaire distributed only 374 samples were considered for analysis as the remaining samples which did not respond properly were deducted from actual population of the study. Thus, the study is confined to 374 sample respondents only.

1.7.4 Data Collection Tool

A well-structured questionnaire consisting of five major parts to ascertain the opinion of the customers on technology enabled banking services offered by the SBI.

- The first part of questionnaire comprised demographic information of customers. It included “Gender”, “Age”, “Educational Qualification”, “Occupation”, “Annual Income”.
- The second part of questionnaire covered of banking services availed by the customers. It included “Type of account”, “Period of operation” with the current bank account, most used of service, nature of services utilized by you through “e-banking” facilities.
- The third part consists of Customers’ level of awareness towards e-banking technology. It included technology used in e-banking services and advantages,
- The fourth part entails the level the perception on technology enabled banking services. The queries included in the process of the study are on: perception on technology enabled banking services offered by the SBI, Service Quality Dimension of technology enabled banking services offered by the SBI with variables such as “Tangibility”, “Reliability”, “Responsiveness”, “Empathy”, “Accessibility”, “Security”, “Cost of technology” and “Product Variety” of technology. All the statements consist of Liker’s five point scale which assesses them as “Excellent”, “Good Fair”, “Poor” and “Very Poor”.
Finally, the fifth part draws information on customers’ level of Satisfaction. It included satisfaction on technology enabled banking services offered by the SBI. All the statements consist of Liker’s five point scale which assesses them as “Highly Satisfied”, “Satisfied”, “Neither or Nor”, “Dissatisfied” and “Highly Dissatisfied”.

1.7.5 Data Sources

The study is mainly based on the primary data collected from the SBI customers from the Chennai Circle. The thesis consists of both primary and secondary sources of information are gathered. To collect authenticated primary information, the research relied more on the questionnaire. The secondary sources include books, Thesis, RBI documents, and reports of the several committees and official administrative data available with the State Bank of India, newspapers, pamphlets, magazines, research publications, journals and web sites relevant to the topic. The researcher also held several oral discussions with concerned authorities in the SBI and visited many branches of State Bank of India to have an interaction with different types of customers.

1.8 Statistical Tools Applied

According to the nature of data and interpretations required, appropriate statistical tools have been applied. The following tools have been applied in the study: Frequency distribution, Weighted Average, Chi-Square Test, ANOVA Paired ‘t’ test, Rotation Factor Analysis and Multiple Regression.

- The frequency distribution of the variables has helped the researcher to calculate distribution value of variables tested.
- Weighted arithmetic means and Liker’s Summated scales helped in calculation of mean values for Customers’ level of awareness towards technology used in e-banking services, customers’ opinion on advantages of the e-banking, Customers’ level of perception on technology enabled banking services offered by the SBI, Customers’ level of perception towards service quality dimension (Tangibility, Reliability, Responsiveness, Empathy, Accessibility, Security, cost of service and Product Variety) and level of satisfaction on technology enabled banking services offered by the SBI.
Chi-Square test was used to measure association between SBI customers’ level of awareness toward e-banking technology and influenced by their Educational Qualification & Occupational Status. Same test was also applied to measure the close association between customers’ knowledge on the advantages of the technology enabled banking services and their Educational Qualification & Occupational Status.

Paired ‘t’ test was applied to measure whether there exist differences between the customers’ perception towards nature of technology enabled services offered by SBI and their level of satisfaction, customers’ perception towards quality of services (technology enable services) offered by SBI and their level of satisfaction and customers’ perception towards service quality dimension of technology enabled services offered by SBI and their level of satisfaction.

Rotation Factor Analysis was operated to measure customers’ perception towards service quality dimension of technology enabled services offered by SBI and customers’ perception towards nature of technology enabled services offered and its quality.

1.9 Limitations of the Study

Researcher took utmost care and efforts to avoid shortcomings in the process of collection and analysis of data in spite of the care taken the study is prone to some limitations, which are mentioned below:

- The study pertains to only the State Bank of India in Chennai. Thus, the study suffers from the geographical limitation, as it does not focus on entire TamilNadu. Therefore the findings of the study cannot be generalized either for the whole of TamilNadu or for India.

- Similarly, the customers’ perception and performances of SBI with other banks is not compared in this study. The other banks resources, level of investment in implementing technology, quality of human resources available, policy of the bank and economic environment are different in different parts of TamilNadu and even across the country. Therefore, again the findings of the study cannot be generalized either whole of TamilNadu or for India.
1.10 Chapterisation Scheme

The present study is organized into six chapters.

**Chapter I:** The introductory chapter I deals with the: Introduction, Empirical Significance of the Study, Statement of Problem, Scope of the Study, Objectives of the Study, Hypotheses of the Study, Research Methodology, Statistical Tools Applied, Limitations of the Study and Chapterisation Scheme.

**Chapter II:** Second chapter focuses on the reviews of relevant literature. It elaborately discusses the objectives, findings and assumption of previous research work carried by various researchers.

**Chapter III:** Third chapter is titled as “IT enabled technology adoption by the scheduled commercial banks in India and the competitive status of SBI in technology adoption”. The chapter contains detailed theoretical and empirical discussions on the major issues of the study.

**Chapter IV:** Fourth chapter deals with the analysis and interpretation of data collected. It is titled as “Competitive Status of SBI in Technology Adoption”.

**Chapter V:** Fifth chapter deals with the analysis and interpretation of data collected. It is titled as “Customer Satisfaction Towards E-Banking Services and Quality Dimension”.

**Chapter VI:** Sixth chapter deals with the summaries, findings of the study, suggestions and conclusions of the study.
References


5. Impact of E-banking on operational performance of banks, 15_chapter.Pdf


8. Ibid., Manasa Nagabhushanam (2013)
