

BANKS' TRANSFORMATION THROUGH E-DELIVERY CHANNELS

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Introduction

E-banking services are replacing traditional services and creating a new scale in transformation. The different e-channels like ATMs, Credit & Debit Cards, Tele-banking, Mobile-banking, Online-banking, Smart Cards etc., are changing the face of the Indian banks. In the post-reforms period, Indian banking is passing through crucial stages. There is a paradigm shift in different parameters of transformation. Banks are on the verge of major changes, and the single largest force behind this transformation is Information Technology (IT). IT further intensifies competition, ensures better efficiency of operations, risk management etc. The first and foremost set of application of IT that could benefit from technology advances, relates to payment system. Due to the technology advancements, efficiency of the banks has improved especially with respect to quality, timely delivery of services at affordable cost. In a study it is examined that retail banking and ATMs are improving the efficiency of banks. (Justin Paul 2006).

E-banking has also affected the customers' expectations as they prefer to deal with the banks offering better, efficient and innovative services. To face and survive in this cutting edge competition, banks have to deliver better quality services to the customers because it is ultimately the customer who can evaluate the quality of services. Hence, the service quality is conformance of services to customers' specifications and expectations.

So, if banks are concerned with what the customers' want, when they want and how, use of technology becomes inevitable. Therefore, banks should serve the customers according to their needs. In this context, this paper has much significance because it will help banks to know their customers' perception regarding their e-banking services and they can further modify and improvise these services.

Organization of the Paper

The paper is organized into five sections. After the brief introduction, Section II makes a review of the literature. Section III fixes the objectives and methodology. Section IV discusses the findings and suggestions & last section provides the concluding observations.

Review of Literature

Uppal (2006), with stratified sampling of 500 bank customers, explained the impact of computerization on the satisfaction of customers of all bank groups and concluded that customer services are quite better in fully computerized banks and further in e-banks, compared to that in partial or non-computerized banks. The study was concentrated in the urban sector of Punjab.

Singh (2004), explained the appraisal of customer service of Public Sector Banks (PSBs) and concluded that level of customer services and



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satisfaction is determined by the branch location, design, variety of services, rate and charges, systems and procedures and attitude and responses.

Singh and Malhotra (2004), The paper presents data, drawn from a survey of commercial banks' websites, that offer Internet banking and on the products and services they offer. It investigates the profile of commercial banks that offer Internet banking, using univariate statistical analysis, relating to other commercial banks with respect to profitability, cost efficiency, & other characteristics. Differences between Internet and non-Internet banks had begun to emerge in funding, sources of income and expenditure and performance. It was also found that the profitability and offering of Internet banking does not have any significant correlation.

MIT (2003) Five years from now, majority of the transactional services will be provided by way of Internet. Net-based banking comes at only 10 per cent of the operating costs of conventional banking practices and services. As banks are going to play a key role in IT enabled public services involving electronic money transactions it is felt that co-operative banks should consider NET-Banking in a big way.

Arora, Kalpana (2003), highlighted the significance of bank transformation. Technology has a definite role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various bank of India.

Corrocher (2002) Investigated the determinants of the adoption of Internet technology for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks. From the results of the empirical analysis, banks seem to perceive Internet Banking as a substitute for the existing branching structure, although there is also some evidence that, banks providing innovating financial services are more inclined to adopt innovative than traditional banks.

Jalan (2002) Information and Communication Technologies (ICTs) has brought the fundamental revolution in banking sector.

Heggade (2000), studied bank customers relationship in India. He analyzed responses of eleven different classes of bank customers like businessman, salaried, advocates, peasants etc. He analyzed customers' views and employees view hand. The paper concludes that there is a low correlation among the different occupations and satisfaction from services in the PSBs.

Furst et. al. (1998) An U.S. based study found out a significant shift by consumers and business to electronic payments. In response to developments in electronic payments banks have greatly increased their investment in technology, particularly in retail banking. The gains from technological advancements in banking and payments are likely to be substantial, both from the point of view of individual financial institutions and economy-wide. In this environment, banks should review and, if necessary, adjust their risk management practices in tandem with upgrading their technology activities.

Booz Allen Hamilton (1997) Conducted a global survey covering 386 retail and corporate banking institutions in 42 countries to assess the strategic impact of Internet banking on the financial service industry. According to the study, there is a huge perception gap between North American/European banks and Japanese banks regarding the future of Internet banking. The study also indicates the rapid growth potential of Internet banking. Many of the banks that responded have plans to upgrade the functionality of the Internet service offerings.

From the brief review of related literature, it can be concluded that not even a single study is related to recent bank transformation through e-delivery channels and the present study is an attempt to fulfill this gap.

Objectives

- To study and analyze the perceptions of bank customers using e-delivery channels in the context of recent bank transformation.

- To analyze and determine the future of e-delivery channels
- To suggest some measures to improve e-channel services.

Methodology :

The present study is concerned with the Indian Banking industry in general and particularly with those banks that are providing services through e-channels i.e., e-banks. Universe of the study is customers of e-banks. The sample size of the bank customer is 50. These customers are selected at random and include those who hold savings or current account in the e-banks and have used e-channels for the last three to four years. The data is collected through pretested and well structured questionnaire in the Chennai District of Tamil Nadu,

India. The survey was conducted in the month of May 2011. Weighted average scores (WAS) are calculated from the five point likert scale. The weights are given to ranks of the different statements. The highest weight is given to the first rank and the lowest weight is given to the lowest rank. On the basis of these weights, total score of each statement is calculated separately and then overall rank is given to each statement.

Results and discussion

The recent bank transformation is taking place with IT and this affects customer’s perceptions regarding e-banking services. In the present paper an attempt has been made to know the perceptions of bank customers, who are using e-delivery channels.

Table – I
Status of Annual Income,
Educational Level and Occupation Level of Respondents

Income Range(Rs)	Number of Responses	Level of Education	Number of responses	Occupational Level	Number of Responses
Less than 2 lakhs	4 (8)	Graduate	18 (36)	Employed	38 (76)
2 to 3 lakhs	22 (44)	Post Graduate	5 (10)	Business	9 (18)
More than 3 lakhs	24 (48)	Professional	24 (48)	Professional	3 (b)
		Others	3 (6)		
Total	50	Total	50		

Source : Primary Data

Note : Values in Parenthesis show percentage

The economic status like age, income, family size, education level and occupation, all affect the customers’ thinking. Table I reveals that out of 50 respondents, 48 per cent are those having more than three lakh income and 44 per cent are those having income between two lakh and three lakh. Similarly, it can be inferred that 48 per cent of the respondents are highly educated with Professional Qualification, and 36 per cent are Graduates. The table also shows

the occupational level of the respondents, 76 per cent respondents are salary class (employed), 18 per cent are businessman and only 6 per cent are professionals. Overall, it may be concluded that the customers with middle income, high education, salaried class use e-delivery channels more and aware about the concept e-banking. Others also use these e-channels to some extent.

Table – II
Factors Influencing the Selection of E-channels

Factors	Most Important	Important	Undecided	Un-important	Most unimportant	WAs
Convenient Accessibility	28	16	2	4	0	1.67 ³
Convenient Location	34	16	-	-	-	1.79 ¹
Easy Availability	12	36	2	-	-	1.61 ⁵
Low hidden Cost	28	12	6	2	2	1.62 ⁴
Number of facilities	18	22	6	2	2	1.55 ⁶
Security / Less risk	32	16	-	-	2	1.73 ²

Source : Primary Data

The number of facilities provided by e-channels is more than one. From Table II, it can be inferred that the respondents feel, all factors are important in selecting their e-channels, but among all these factors, convenient location with first priority and then security are the main factors affecting their e-channel selection decision.

Table – III
Preference of E-channels

E-channels	R1	R2	R3	R4	R5	R6	Total Score	Overall Rank
ATM	34	9	2	2	2	1	273	1
Credit Card	4	15	13	10	4	4	193	2
Debit Card	-	12	16	5	4	2	149	5
Mobile Banking	2	8	6	16	12	6	154	4
On-line Banking	10	2	10	14	6	2	168	3
Tele Banking	-	4	2	12	10	22	106	6

Source : Primary Data

It is evident from Table III that out of 50 respondents, most of them prefer ATMs as compared to other channels. ATMs ranks first in preference of e-channels by the respondents, this is followed by Credit Cards and then on-line banking. Tele Banking and Debit Card are least preferred among the respondents. The basic reason for the popularity of e-channels is that these are convenient, easy to access and easy to operate.

Table IV
Awareness about Hidden Cost of E-channels

Status	Respondents
Yes	32 (64)
No	18 (46)

Source : Primary Data

Note : Values in parenthesis shows percentage

Table IV shows the awareness level of the respondents about hidden cost of e-channels. It is clear that 64 per cent are aware about the hidden cost but 46 per cent are not. This may be due to their ignorance or inadequate information provided by the banks.

Table V
Cost Effectiveness of E-channels

E-channels	Most	Reasonable	Undecided	Un Reasonable	Most Reasonable	WAs
ATM	24	22	4	-	-	2.05 ¹
Credit Card	12	16	10	10	2	1.64 ⁴
Debit Card	12	14	18	4	2	1.64 ³
Internet Banking	10	16	20	4	-	1.69 ²
Mobile Banking	10	14	14	12	-	1.60 ⁵
Tele Banking	8	6	20	6	6	1.32 ⁶

Source : Primary Data

Table V analyzed that whether the service charges of e-channels are reasonable or not and which e-channel is most cost-effective. Majority of the respondents are in favour of ATM, which means ATMs are most cost-effective and secondly they are in favour of Internet-banking that also provide services at reasonable cost. It is interesting to note that 46 per cent of the respondents are not aware about the charges. Therefore the results are on the basis of the views of those respondents having knowledge about these charges. Hence, out of all the e-delivery channels, ATMs and Internet banking are considered as most cost-effective as compared to other channels.

Table VI
Problems Faced while using E-channels

Problems	R1	R2	R3	R4	R5	R6	R7	R8	Total Score	Overall Rank
Inadequate Knowledge	12	20	4	4	2	4	4	-	308	2
Lack of Knowledge	18	10	4	6	6	6	-	-	310	1
Lack of Infrastructure	4	-	14	12	12	6	2	-	246	4
Unsuitable location of ATMs	-	10	6	14	6	8	2	4	232	6
Insufficient Number of ATMs	14	4	6	8	6	6	4	-	272	3
Network Problem	2	4	16	6	4	14	2	2	234	5
Time Consuming	-	-	4	-	2	4	36	4	120	8
No Problem at all	1	2	-	2	-	5	40	-	127	7

Sources : Primary Data

Table VI examined the problems faced by the respondents while using e-channels. Here, the lack of knowledge regarding use of e-channels and inadequate knowledge about e-channels are the most dominating problems faced by the majority of respondents. Followed by this the problem of insufficient member of ATMs and lack of infrastructure are also some major concerns for the respondents.

Table VII
Suggestion to Create Awareness about E-channels

Suggestions	R1	R2	R3	R4	R5	Total Score	Overall Rank
Conduct more training	14	10	7	8	7	154	4
Programmes for bank customers	10	8	8	12	12	142	6
Demo fares regarding e-channels	18	6	4	12	10	170	1
Information at Counter	10	12	14	8	6	168	2
More advertisements	4	12	10	18	6	146	5
Personal Contact Programmes	10	14	8	4	14	166	3

Source : Primary Data

Table VII, depicts the most effective solutions preferred by the respondents out of the given list. Demo-fares regarding e-channels is the most preferred solution to make them aware about it and secondly they prefer information at counter and after that personal contact programmes. This will definitely make more and more customers aware about e-banking services as they think these methods are most effective to cover this path.

Table VIII
Physical visit to Banks

Number of Bank visits	Number of response
Occasionally once	20 (40)
2 to 5 times	22 (44)
6 to 10 times	4 (8)
More than 10 times	4 (8)

Source : Primary Data

Note : Values in parenthesis show percentage

Table VIII shows the frequency of physical visits of the customers to banks in addition to using e-channels. Majority of the respondents (44 per cent) visit two to five times within a month 40 per cent visit the banks occasionally once a month and only 16 per cent visit more than 5 times. As customers are accessing e-channel for their needs, majority of the respondents visit banks less than five times in a month.

Table IX
Purpose of Customers' Physical Visits to Banks

Purpose	R1	R2	R3	R4	R5	R6	R7	Total Score	Overall Rank
Large size Deposit	14	18	4	8	2	2	2	270	1
Large size withdrawal	18	12	6	5	4	3	2	268	2
Making complaints	-	4	6	7	12	11	10	150	7
Getting Loans / advances	4	5	7	9	2	8	15	166	5
To access lockers	5	3	12	3	9	6	12	176	3
To get new information	6	2	10	1	13	9	9	174	4
Any other	2	8	4	12	2	6	16	164	6

Source : Primary Data

Table IX explains the purpose of physical visit to bank while accessing e-channels. It is concluded that majority of the respondents visit bank for large size deposits and withdrawals or otherwise to get loans / advances. Some of them visit to access lockers or to get new information.

Table X
Responses regarding different aspects of E-channels

	SA	A	UD	DA	SDA	WAS
Do not ensure privacy	3	24	5	16	2	0.85
Ensure more transparency	5	28	5	7	5	0.91
Creating more confusion	9	8	11	14	8	0.77
Have bright future	34	11	3	2	-	1.21
Improve the quality of customer services in banks	24	24	1	-	-	1.19
Necessary in the competitive global era	26	10	4	10	-	1.08
Make online purchase of goods & services easier	23	22	3	1	1	1.14
Fulfilling all our requirements	10	17	8	5	10	0.86
Charge more hidden cost	3	26	15	3	3	0.92
Helps to manage transformations in banks more efficiently	15	24	5	6	-	1.05

Source : Primary Data

In the above Table X responses regarding different aspects of e-channels have been analyzed. It highlights that e-channels

- Have bright future
- Improves quality of customer services
- Make online purchase of goods and services easier
- Are necessary in the competitive global era and help to manage transformation.
- But with respect to other aspects like privacy, transparency etc., respondents are not happy.

It is important to note that WAS score is the least on the aspect that e-channels are creating more confusion. That means they don't think so. Hence, from their views, it can be concluded that e-channels are necessary in future and help in managing business efficiently, effectively and are timely.

Suggestions

On the basis of the findings of the study, the following suggestions helps banks to make e-banking services more effective, which will further accelerate the process of transformation in banks.

- **Convenient accessibility of e-channels :**
Banks should make the availability of ATMs and accessibility of other e-channels convenient. They should initiate the introduction of mobile ATMs as these are time saving and is more popular these days.
- **Popularity of e-channels :** ATMs, Credit Cards and Internet banking are most preferred by the customers due to time, cost utility and efficient services, but other channels are not very popular. Hence, banks should make efforts to arrange demo-fares or provide information at counters to make the channels popular and easier to the customers.
- **Transparency :** The banks should disclose full information on service charges, service tax, interest, penalty, if any etc., to the customer to win their confidence.
- **Awareness Regarding E-Delivery Channels:**
E-banking is a new concept and more than 50 percent respondents are not aware about all e-delivery channels and their operating system. So banks should provide appropriate information and demo to operate these channels and solve problems pertaining to operating these channels on priority, in a polite manner. Besides the channels, the customers should also be made aware and provide operational knowledge aware and provide operational knowledge of e-delivery channels with their each function to the customers, separately to the different age groups and occupation-wise as well.
- **Rural and Semi-Urban Sector :** In India more than 60 per cent of the population resides in the rural areas. Therefore, it is the need of the hour to capture this market through e-delivery channels. Hence, banks should make e-delivery channels popular in rural and semi-urban areas too, with some practical and effective strategies.

- **Infrastructure Facilities :** Every branch of a bank should provide sufficient and proper vehicle parking, seating arrangement, water and sanitary facilities etc. Posters of existing schemes should also be displayed in the appropriate places.
- **Improvement of HRD Systems :** Bank employees should be given training time to time to match their skill level with the requirements of changing environment. At least they should be made aware about all the schemes provided by banks.
- **Social Rapport with Customers :** Bank officials should establish good rapport with customers, this will develop a social banking environment.

Conclusion

The paper concludes that the majority of the customers of e-banks are highly satisfied from e-banking services. The customers prefer e-channels for savings in time, cost utility and efficient services. At the same time customers are not fully aware about the operational part of all e-delivery channels and their transactional facilities. In addition respondents strongly feel that the future of e-banking services is bright and in the coming years, these e-channels will definitely help to manage the bank transformation with positive results. Further it may be suggested that awareness regarding operating system and facilities provided by e-channels should be highlighted to customers and also to the prospective customers to get better results. Thus to get the competitive edge in future banking scenario, marketing not technology is going to be a challenge. Hence, mere delivery of e-channel services alone will not be sufficient to bring necessary performance improvement.

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