

Digital India towards Digital Banking a focus on Customer Perception in selected Banks of Nagapattinam District. Tamilnadu

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ABSTRACT

The study highlights the customer perception towards E-banking services and service quality of two prime banks in different sectors. The study was conducted in Nagapattinam district of Tamilnadu with 250 respondents in each bank was selected for the study. Respondents were surveyed on demographic traits and dimensions of service quality to compare the quality of service between the banks. The study is an empirical survey of bank clients. E-banking necessity was analysed through newly introduced products of the banks. The study concluded with a positive impact on e-services and some immediate action on factors by the banks of customer interest. Respondents concern with E banking services was to have a safe and secured banking. At present the banking sector lacks in providing a secured banking function to its customers due to the present threat it faces from the hackers.

Key words: E-Banking; Dimensions; Perception; Expectation; Service quality; Gap; Reliability; Tangibility.

Article Received: 24 October 2020, Revised: 13 December 2020, Accepted: 06 January 2021

Introduction

Information and Communication Technology (ICT) came into picture in the year 1980s' in banking industry. There were different phases introduced during the evolution of ICT in the banking sector. Banks were focusing on automating the laborious accounting process and the functions performed at back office operations like maintenance of deposits, calculation of interest, and maintaining of ledger accounts at the first phase of ICT development. New generation private sector banks was started by opening up in the third phase, these banks opening the branches with small network under the computerized environment and they introduced the networking concept and centralized operations. After centralized banking system the banks have already captured substantial business, core banking solution was introduced and instead of branch-customer the bank customer concept was introduced. In core banking Anywhere, Anytime and Anyhow (AAA mantra) was implemented under which the customer carried out his own required transactions through automated teller machine (ATM), mobile banking, internet banking, and phone banking. Now banks provide flexible options to the customers at very less operational costs through ATMs and internet banking.

Interbank connectivity is the fifth stage of development of ICT, now the concept of "bank-customer" has further improved to "banking industry-customer" because inter-bank and inter-branch connectivity has been possible through "Real Time Gross Settlement System". In a competitive environment computerization, information technology and automation of services are key issues. Technological advancement has totally changed the scenario of banking sector, however, the implementation of IT in banking without undertaking appropriate Business Process Re-engineering (BPR) exercise will not prove to be fruitful. Now customers

are facilitated to carry out most of the transactions without having to visit the branch premises through channels like tele-banking, remote customer enquiry terminals, kiosks, internet banking, ATMs, mobile banking, and phone banking E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage.

Service Quality

Quality is a key requirement in every field. The basic concept of quality is "Meeting the Need of Customer". In most generalized way the Quality term can be defined as "The inclusion of all specified features and characteristics as defined for product or service and its ability to satisfy the given needs as per the requirement of user". Customer perception relates with customer satisfaction and service quality. Service quality is affected by the service quality attributes like Reliability, tangibility, assurance, responsiveness, and empathy. Customer satisfaction is measured by the customer expectation and customer perception, which may change from person to person.

Service Quality = Perception – Expectation

Objectives of the Study

1. To observe some of the demographic traits of the respondents in the study area.
2. To highlight various E- banking services provided by public and private banks.
3. To determine the preference of customers regarding the E-service quality in select banks
4. To compare E-banking service with traditional banking service in terms of customers perception.

Period of Study and Area The primary data was collected for a period of 12 months from April 2019 to March 2020 from the bank customers of two major banks in the Nagapattinam District restricted to town limit.

Selection of Sample Banks

In order to select the banks, a list of top 10 banks existing in India. Thereafter, one bank in each category, having the maximum number of branches was selected. The banks selected were ICICI from private sector bank and SBI from public sector bank. ICICI being India’s Universal bank and it is second largest private sector bank having nationwide network. SBI is selected for the study because it is India’s premier nationalized bank and also largest bank operating in India.

(Source: Indian Business Directory, Banking Industry,)

Data Analysis and Inference

TABLE 1- EDUCATIONAL STATUS OF THE RESPONDENTS

| Sl. No. | Educational Status | No. of Respondents | Percentage |
|---------|-----------------------|--------------------|------------|
| 1 | Upto Higher Secondary | 50 | 10.0 |
| 2 | Graduate | 237 | 47.4 |
| 3 | Post graduate | 101 | 20.2 |
| 4 | Professional degree | 94 | 22.1 |
| 5 | Illiterates | 18 | 0.036 |
| | Total | 500 | 100.0 |

Source: Primary data

Inference: Table 6.1 depicts that among the 500 respondents, 47.4 per cent i.e 237 of the total respondents come under the category of graduate level of education.101 respondents have completed post graduate level and they accounted 20.2 per cent of the total.0.036 per cent of the respondents are illiterates. 10 per cent of the respondents completed upto higher secondary level of education. It is inferred from the data that everyone has account in the bank, but the rate of accessibility differs according to their qualification.

TABLE 2 - OCCUPATION OF THE RESPONDENTS

| Sl. No. | Occupation | No. of Respondents | Percentage |
|---------|------------|--------------------|------------|
| 1 | Employees | 142 | 28.4 |
| 2 | Business | 165 | 33.0 |
| 3 | Profession | 74 | 14.8 |
| 4 | Students | 46 | 9.2 |
| 5 | Housewife | 20 | 4.0 |

| | | | |
|---|-------------------------|-----|-------|
| 6 | Retired | 38 | 7.6 |
| 7 | Agricultural and others | 15 | 3.0 |
| | Total | 500 | 100.0 |

Source: Primary data

Inference: Table 6.2 indicates that 28.4 per cent of the total respondents are employees. 165 respondents are businessmen and accounted 33 per cent of the total. It also showed that 74 respondents were professionals and they accounted 14.8 per cent on total. 9.2 per cent of the total respondents were student, 4 per cent of the total respondents were housewife, and 7.6 per cent of the total respondents were retired persons. Only 3 per cent of the total respondents are doing agriculture and other work. At present bank has become inseparable from mankind.

TABLE 3 -RESIDENTIAL AREA OF THE RESPONDENTS

| Sl. No. | Residential Area | No. of Respondents | Percentage |
|---------|------------------|--------------------|------------|
| 1 | Urban | 422 | 84.4 |
| 2 | Rural | 78 | 15.6 |
| | Total | 500 | 100.0 |

Source: Primary data

Inference: Table 6.3 shows number of respondents from urban and rural areas and their percentage to total. It indicates that 84.4 per cent of the total respondents are from urban area and minor percentage of respondents is from rural area, 15.6 per cent on the total. Urban people access to banking services more often than rural people due to easy accessibility.

TABLE 4- RESPONDENTS’ OPINION ABOUT NEED FOR E-BANKING SERVICES

| E-Banking Services | Public Bank | Private Bank | Total |
|--------------------|---------------|---------------|---------------|
| Vital | 47 18.8% | 58 23.2% | 105 21.0% |
| Essential | 128 51.2% | 111 44.4% | 239 47.8% |
| Desirable | 45 18.0% | 52 20.8% | 97 19.4% |
| Cannot say exactly | 30 12.0% | 29 11.6% | 59 11.8% |
| Total | 250 100.0% | 250 100.0% | 500 100.0% |

Source: Primary data

Inference: It is clearly evident from Table 6.4 that18.8 per cent of the respondent from public sector bank and 23.2 per cent of the private sector bank respondents stated that e-banking is vital, Advancement in ICT has brought a vast change in the banking sector in the recent period. A tough competition exists between public and private sector banks as to its service and quality of

rendering the same. E- banking is regarded as very essential by the customers in the fast moving life style.

TABLE 5- RESPONDENT’S PREFERRED E-BANKING SERVICES

| E-banking services adopted | Public Bank | Private Bank | Total |
|------------------------------|--------------|--------------|--------------|
| ATM | 219 87.6% | 209 83.6% | 428 85.6% |
| Credit card | 124 49.6% | 138 55.2% | 262 52.4% |
| Mobile banking | 78 31.2% | 123 49.2% | 201 40.2% |
| Debit card | 198 79.2% | 208 83.2% | 406 81.2% |
| Internet banking | 68 27.2% | 72 28.8% | 140 28% |
| Electronic clearing services | 12 4.8% | 18 7.2% | 30 6% |
| Electronic fund transfer | 21 8.4% | 17 6.8% | 38 7.6% |
| Online tax accounting | 15 6% | 11 4.4% | 26 5.2% |
| Interactive voice response | 4 1.6% | 5 2% | 9 1.8% |
| Centralized banking | 6 2.4% | 4 1.6% | 10 2% |
| Online Fax Accounting System | 4 1.6% | 6 2.4% | 10 2% |
| Foreign Exchange System | 3 1.2% | 5 2% | 8 1.6% |
| RTGS | 2 0.8% | 3 1.2% | 5 1% |
| Total | 250 100% | 250 100% | 500 100% |

Source: Primary data

Inference: Out of 500 sample respondents a good majority (85.6%) of the respondents are using ATM services. 87.6 per cent of respondents from public sector bank and 83.6 per cent of respondents from private sector bank are using ATM services at the foremost. 49.6 per cent of respondents from public sector bank and 55.2 per cent of respondents from private sector bank are using Credit card facilities, 31.2 per cent of respondents from public sector bank and 49.2 per cent of respondents from private sector bank use mobile banking. Debit card services are used by public and private bank customers as 79.2 and 83.2 per cent respectively. Availability of banking products is plenty but public lack the awareness about these services and also the trust on these services due to insecurity. Safe and secured banking is expected by the public for their hard earned money.

Table 6- PREFERENCE TOWARDS INTERNET BANKING

| | Public Bank | Private Bank | Total |
|---|--------------|--------------|---------------|
| To pay monthly commitments towards savings, EB Bill etc | 19 27.94% | 25 34.72% | 44 31.43% |
| Check the account balance | 15 22.06% | 21 29.17% | 36 25.71% |
| Transfer of funds (NEFT, RTGS) | 27 39.71% | 20 27.78% | 47 33.57% |
| Change Password, Purchase bank product and others | 7 10.29% | 6 8.33% | 13 9.29% |
| Total | 68 100.0% | 72 100.0% | 140 100.0% |

Source: Primary data

Inference: It is revealed from the above table that 27.94 per cent of customers of public sector bank and 34.72 per cent of customers of private sector bank preferred to use internet banking for payment towards personal monthly commitments like EB bill, EMIs etc, 22.06 per cent from public bank and 29.17 per cent of customers from private bank liked to use internet banking to check their account balance. 39.71 per cent of customers of public sector bank and 27.78 per cent of customers of private sector bank preferred internet banking for transfer of funds. others. It is concluded that most of the public bank customers use internet banking for transfer of funds and most of the private bank customers use internet banking for monthly obligations.

TABLE 7- PERCEPTIONS TOWARDS E-BANKING SERVICES

| Perception | Public Bank | Private Bank | Total |
|-------------------------------|---------------|---------------|---------------|
| Time saving and speedy | 53 21.2% | 56 22.4% | 109 21.8% |
| Convenience and user friendly | 90 36.0% | 89 35.6% | 179 35.8% |
| Cheaper | 25 10.0% | 26 10.4% | 51 10.2% |
| Easier | 60 24.0% | 59 23.6% | 119 23.8% |
| Anywhere and Anytime | 22 8.8% | 20 8.0% | 42 8.4% |
| Total | 250 100.0% | 250 100.0% | 500 100.0% |

Source: Primary data

Inference: Innovation in ICT has brought many revolutions in the operating functions of the banks towards its customers and clients. Time saving and speedy work is considered to be one of the boon in the banking sector, nearly 21 and 22 percent of the respondents feel this factor as benefit to them, following the same convenient and user friendly program is much welcomed by the respondents, 35 and 36 percent of the respondents in both the banks prefer the same. Advancement leads to easy and smooth functioning of the industry.

TABLE 8- PROBLEM IN USING CENTRALIZED BANKING SERVICES

| Opinion | Public Bank | Private Bank | Total |
|---------|---------------|---------------|---------------|
| Yes | 89 35.6% | 100 40.0% | 209 41.8% |
| No | 161 64.4% | 150 60.0% | 291 58.2% |
| Total | 250 100.0% | 250 100.0% | 500 100.0% |

Source: Primary data

Inference: From the Table 4 can be concluded that though backed by some minor problems people like to overcome them and use the technology very efficiently in their fast moving life style. Here it is evident that maximum of the respondents revealed that problems are only passing away.

TABLE 9- COMPARISON OF E-BANKING WITH TRADITIONAL BANKING

| Aspects | Excellent | Good | Fair | Poor | Very poor | Total |
|----------------------|-----------|-------|-------|------|-----------|-------|
| Cost reduction | 64 | 271 | 99 | 37 | 29 | 500 |
| | 12.8% | 54.2% | 19.8% | 7.4% | 5.8% | 100% |
| Efficiency | 212 | 218 | 25 | 24 | 21 | 500 |
| | 42.4% | 43.6% | 5% | 4.8% | 4.2% | 100% |
| Saving Time | 227 | 204 | 19 | 14 | 36 | 500 |
| | 45.4% | 40.8% | 3.8% | 2.8% | 7.2% | 100% |
| Secrecy | 135 | 172 | 36 | 40 | 117 | 500 |
| | 27% | 34.4% | 7.2% | 8% | 23.4% | 100% |
| Quality of Service | 179 | 207 | 30 | 28 | 56 | 500 |
| | 35.8% | 41.4% | 6% | 5.6% | 11.2% | 100% |
| Complaint Resolution | 78 | 139 | 49 | 60 | 174 | 500 |
| | 15.6% | 27.8% | 9.8% | 12% | 34.8% | 100% |

Source: Computed from primary data

Inference: The table highlights the merits of modern banking with traditional banking. Present banking system is enhanced and improved in time saving, efficiency, quality of service and cost reduction aspects. Above stated factors is ranked as excellent by the respondents in maximum numbers. It is concluded that all the selected aspects in E-banking services are better than traditional banking system except complaint resolution, which needs a serious look in to the factor, since safety and security is the prime factor which the customers expect from the services offered to them.

TABLE 10 - SERVICE GAP IN OVERALL SELECTED FIVE DIMENSIONS

| Sl. No. | Service Quality Dimensions | Expected | Perceived | Gap | Percentage |
|---------|----------------------------|----------|-----------|------|------------|
| 1. | Reliability | 2.41 | 2.29 | 0.12 | 17.14 |
| 2. | Tangibility | 2.64 | 2.49 | 0.15 | 21.43 |
| 3. | Responsiveness | 2.49 | 2.33 | 0.16 | 22.86 |
| 4. | Empathy | 2.72 | 2.58 | 0.14 | 20.00 |
| 5. | Assurance | 2.6 | 2.47 | 0.13 | 18.57 |
| | Total | 12.86 | 12.16 | 0.7 | 100.00 |

Source: Computed from primary data

Inference: The table portrays the total expectation score of the five broad dimensions selected. It stood at 12.86 in the case of expected level and 12.16 at perceived level. This indicates that the customers' expectation desired level is higher than the perceived level implying the lower supply of services by the sample banks when compared to the customers' expected level of services. Therefore quality gap is found in the services. Dimension wise, the highest service gap is being found in the case of Responsiveness (22.86) which indicates that it is the foremost dimension of expectation of the customers. The service quality gap is found to be the least in the case of reliability (17.14).

Hypothesis

- **H0:** "There is no significant difference between the expectations and perceptions of customers of either banks"

TABLE 11- COMPARISON BETWEEN EXPECTATION AND PERCEPTION OF CUSTOMERS OF BANKS

| Sect or of Bank | | Mean Score | S.D. | Square of S.D. | Standard error | Z-value |
|-----------------|-------------|------------|--------|----------------|----------------|---------|
| Public | Expectation | 2.15 | 0.5261 | 0.2767 | 0.34271 | 7.1182 |

| | | | | | | |
|--------------|---------------------------|------|--------|--------|--------|--------|
| Bank | | | | | | |
| Private Bank | Expectation | 2.38 | 0.4826 | 0.2329 | 0.4228 | 6.5941 |
| | Perception (Satisfaction) | 2.67 | 0.4237 | 0.1795 | | |

Source: Computed from primary data

Inference: The estimated value of Z-statistic is greater than standard value 1.96 at 5% level of significance for both sector banks. Therefore the null hypothesis is rejected and it is concluded that there is a significant difference between expectations and perceptions of customers of both sector banks towards e- banking service.

H0: There exist no significant association between Occupation and Preference towards E-Banking Services

TABLE 12- Association between Occupation and Preference towards E-Banking Services

| E-Banking Services | Occupation | | | | | | | Total |
|--------------------|------------|----------|------------|---------|-----------|---------|-------------------------|--------|
| | Employees | Business | Profession | Student | Housewife | Retired | Agricultural and others | |
| ATM | 56 | 52 | 28 | 22 | 11 | 13 | 5 | 187 |
| | 29.9% | 27.8% | 15.0% | 11.8% | 5.9% | 7.0% | 2.7% | 100.0% |
| Credit card | 32 | 63 | 20 | 4 | 4 | 10 | 3 | 136 |
| | 23.5% | 46.3% | 14.7% | 2.9% | 2.9% | 7.4% | 2.2% | 100.0% |
| Debit card | 22 | 17 | 14 | 8 | 2 | 6 | 3 | 72 |
| | 30.6% | 23.6% | 19.4% | 11.1% | 2.8% | 8.3% | 4.2% | 100.0% |
| Mobile banking | 20 | 16 | 9 | 9 | 1 | 6 | 2 | 63 |
| | 31.7% | 25.4% | 14.3% | 14.3% | 1.6% | 9.5% | 3.2% | 100.0% |
| Internet banking | 6 | 14 | 1 | 3 | 1 | 1 | 1 | 27 |
| | 22.2% | 51.9% | 3.7% | 11.1% | 3.7% | 3.7% | 3.7% | 100.0% |
| Other services | 6 | 3 | 2 | 0 | 1 | 2 | 1 | 15 |
| | 40.0% | 20.0% | 13.3% | 0.0% | 6.7% | 13.3% | 6.7% | 100.0% |
| Total | 142 | 165 | 74 | 46 | 20 | 38 | 15 | 500 |
| | 28.4% | 33.0% | 14.8% | 9.2% | 4.0% | 7.6% | 3.0% | 100.0% |
| Chi-square test | 38.843 | | | | | | | |
| Sig | .004 | | | | | | | |
| Hypothesis | Rejected | | | | | | | |

Source: Computed from primary data

Inference: The calculated chi square value is (38.843) and p value (.004) at 5 per cent significance level is .004. The test proves to be significant. This means that there is significant association between the preferences

of different occupational groups towards E- banking services. Therefore, the null hypothesis (Ho) is rejected.

Suggestions

1. Banks should organize training programme to give proper training to customers for using e-banking services and create a trust in the mind of customers towards security and safety of their accounts.
2. Make their sites more user friendly. Customers should be motivated to use E-banking facilities more by providing a platform, from where the customers can access different accounts at single time without extra charge.
3. Banker should be made available internet banking facility in all rural branches to cover up the rural areas with ATMs, mobile and telebanking, so that the people in rural areas can also avail better services.
4. The public sector banks can improve their quality of services, as far as online banking activities are concerned, since they lack behind the private sector banks in this segment.
5. The private sector banks need to improve the level of transparency and also the level of safety and security of online transactions, since some of the customers are skeptical about the level of confidentiality of their transactions.
6. In general usage of E-banking by the customers is very low. An attempt by the banks for changing the same should be made by stressing on the benefits of E-banking.

Conclusion

The banking industry is becoming more and more multifaceted as a result of liberalization and globalization. With hostile marketing strategies for making business opportunities, banks have developed innovative products, keeping in view the needs of different classes of individual customers. Banks may pursue a feedback system to know the customers' expectations for improving the level of customer satisfaction to the maximum level. E-banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of the mouse offers customers banking services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. No country today has a choice whether to implement E-banking or not given the global and competitive nature of the economy. This study observes the perception level of customers towards the service quality by the public and private sector banks with the popular and extensively used instrument SERVQUAL consisting of five dimensions of service quality. From all of this, we have learnt that information technology has empowered customers and businesses with information needed to make better investment decisions. At the same time, technology is allowing banks to offer new products, operate more efficiently, raise productivity, expand

geographically and compete globally. E-banking is a borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization's operations, are provided. With rapid advances in telecommunication systems and digital technology, E-banking has become a strategic weapon for banks to remain profitable.

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