Role of IT in Banking Sector

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Abstract:

Initiation of Information Technology and Communications networking system is set to change the operating environment of banks drastically. Technology has already enabled some of the banks to introduce innovative products to their customers in the form of ATM facility, Telebanking, Home Banking, 'Anywhere' and 'Anytime' banking, etc. Technology can also be harnessed in automating and networking the branches that will ensure timely flow of information and aid decision making process. The banks that can adopt and absorb the new technology faster will have a competitive edge over their rivals.

The changes brought about by IT (Information Technology), new products, more sophisticated customers, changing cost structures, and enhanced competitive pressures have all combined to transform the structure of the banking industry. And with further development of new technologies, the industry will likely continue to evolve.

Customers of banks have felt the positive impact of technological solutions implemented by banks. The customers of banks of today have a virtual menu of options as far as delivery channels are concerned and all these are the benefits of technology.

With the most visible benefits happening in the areas of payments for retail transactions, a variety of cards, Automated Teller Machines, Electronic based funds transfers, Internet banking, Mobile banking are all some of the latest technology based payment solutions, which have gained large acceptance amongst the Indian banking public. With technological solutions rapidly evolving, more new products and services may soon become the order of the day.

Though infrastructure and communication advancements remain an area of concern, in the rural areas, standards are being formulated to make banking a secure and pleasant experience and banks have bridged the divide caused by offering ‘Anywhere and Anytime banking’.

Introduction:

The study focuses mainly on the Internet banking which is on the growing course as the other technology like ATMs in Bank has become quite common. The research work also aims at finding out the reasons for the Customer’s acceptance of technological innovation like Internet Banking and the factors that has led the customers to adopt an emerging technology like the Internet banking and the reasons which have lead the customers to perceive Internet banking service as advantageous especially in Tirunelveli region where the awareness level and the adoption level of the technology is poor. The paper seeks to discover the problems experienced by these customers that maybe the reason for the low diffusion and acceptance of the technology (like Internet Banking).

Background:

Banks which have made inadequate investment in technology have consequently faced an erosion of their market shares. Adoption of technology enhances the quality of risk management systems in banks.

Indian banking has come a long way and is maturing rapidly to adopt technology. While private sector banks have been the early adopters, public sector banks have been doing a fast catch-up. Banks stand to gain by investing in technologies that integrate all their delivery channels.

In India, the current set of consumers are more technologically aware. Many Customers today consider services and facilities such as Internet, ATM, Phone and Mobile banking as essential part of their banking experience. However this is true only in the urbanized metropolitan cities.

In India, we find households owning computers with no Internet access, households owning computers with Internet access and there are relatively lesser number of households connected to the internet. Lack of trust environment is another major problem experienced in India. These factors impede the growth of Internet banking.

In this context it is proposed to undertake a study on Banking Technology which mainly aims at finding out the growth level of Internet banking, Psychological Factors Associated with Banking Channel Adoption and aims to measure customer satisfaction as a whole. The study principally aimed at identifying the advancement of Internet Banking Technology in SBI. With this end in view, the Study sharply focused to identify the facilities availed and problems experienced in SBI’s website in the opinion of the customers, the level of satisfaction and influential drivers of Internet Banking.

Research Design

The population for the study consists of customers of SBI (State Bank of India) in Tirunelveli region who had experience in Internet banking and the data were collected outside the bank branches from those customers and Stratified Random Sampling method was adopted. After stratification the derived sample of 50 customers were chosen, which consists of business class (12), companies (7), professionals (16), Govt Employees (8), and pensioners (7). The profile of the respondents is shown in Table 1.
Table 1: Sample respondent’s distribution:

<table>
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<tr>
<th>S.No</th>
<th>Personal variable</th>
<th>categories</th>
<th>Sample respondents</th>
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<tbody>
<tr>
<td>1.</td>
<td>Occupation</td>
<td>Business</td>
<td>12</td>
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<tr>
<td></td>
<td></td>
<td>Companies</td>
<td>7</td>
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<td></td>
<td></td>
<td>Government</td>
<td>16</td>
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<td></td>
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<td>Employees</td>
<td>8</td>
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<td>Pensioners</td>
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<td></td>
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<td>Professionals</td>
<td>7</td>
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* These respondents are exclusively the customers of SBI who operate internet banking through SBI’s website.
** Out of these respondents a total of 37 respondents have availed SBI’s ATM services.
*** Out of these respondents 34 respondents have made some enquiries to staffs through telephone.

Results of the study:
Assessment of website of SBI

The various motives for which the respondents have screened the website are for checking the balance in their accounts, for transacting and for booking railway tickets. Figures 1, 2, and 3 exhibits the purpose for which the respondents have assessed the website of SBI.

The above diagram (Figure 1) exhibits occupation wise classification of Respondents who sought out information from SBI’s website. Majority i.e (60%) of pensioners and (46.15%) of professionals have assessed SBI’s website to view information.

The above diagram (Figure 2) illustrates occupation wise classification of Respondents who assessed to transact in SBI’s website. Majority i.e (38.10%) of business class have assessed the website for transacting as the Internet banking eliminates the need to personally visit the bank which is very time-consuming.

The above diagram (Figure 3) exhibits occupation wise classification of respondents who viewed SBI’s website for booking railway tickets.

Results of the study:
Influential Drivers of Internet Banking

The feedback alluded by the respondents in reference to the Influential drivers of Internet Banking namely Convenience, Time-saving and ease to transact has been pinpointed in Figures 4, 5, 6 illustrated below.

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The above diagram(Figure 4) highlights occupation wise classification of Respondents who cited SBI’s website is time-saving. Majority i.e (40%) of pensioners have mentioned that Internet banking saves time. The essential banking needs of the pensioners can be sourced without physically visiting any of the branches and the transactions can be completed right at their residence without visiting branches.

**Figure 5:** Occupation-wise classification of respondents who cited SBI’s Internet banking is easy to transact

The above diagram (Figure 5) reveals occupation wise classification of Respondents who cited SBI’s Internet banking is easy to transact. Majority i.e (41.18%) of government employees have mentioned that SBI’s Internet banking makes it easier to conduct transactions as it helps them to maintain a greater control of all their banking activities from a personal computer from their home with instant access to their account information.

**Figure 6:** Occupation-wise classification of respondents who cited SBI’s Internet banking is convenient

The above diagram(Figure 6) presents the Occupation wise categorization of respondents who remarked that SBI’s Internet banking is convenient. Majority i.e(58.33%) of companies and (57.14%) of business class have cited convenience as the important reason for opening an internet bank account in SBI. These respondents considered Internet banking service as convenient as there are able conduct or view their banking transactions out of the traditional bank working hours and as it offers them around-the-clock availability of financial services and also because of the fact that these transactions can be conducted at no cost at all.

**Figure 7:** Occupation-wise classification of respondents availed fund transfer facility through SBI’s Internet banking

The above diagram(Figure 7) highlights occupation wise classification of Respondents who availed fund transfer facility through SBI’s Internet banking. Majority i.e (44.44%) of companies have availed fund transfer facility through SBI’s Internet banking. Majority i.e (44.44%) of companies have availed fund transfer-facility. They transfer funds to an external own account.

**Figure 8:** Occupation-wise classification of respondents who checked balance through SBI’s website

The above diagram (Figure 8) illustrates occupation wise classification of Respondents who checked balance through SBI’s website. Majority i.e (57.14%) of pensioners have availed non-transaction services. They view Real Time Account Balance Information on the website. Balance enquiry process through internet is minimal time consuming.
and this reduces the necessity for the customers to personally visit ATM centres or banks.

**Occupation wise classification of respondents who booked railway tickets through SBI's website**

![Occupation wise classification of respondents who booked railway tickets through SBI's website](image)

Figure 9: Occupation-wise classification of respondents who booked railway tickets through SBI’s website.

The above diagram (Figure 9) exhibits occupation wise classification of Respondents who booked Railway tickets through SBI’s Internet banking. Majority i.e (30%) of Government employees booked railway tickets via SBI’s website.

**Superiority of SBI’s Internet banking**

The respondents were probed if they acknowledged the superiority of SBI or not. Figure 10 attempts to study the customers who rated ‘Superiority of SBI’

![Occupation wise Respondents’s opinion on superiority of SBI's Internet banking](image)

Figure 10: Occupation-wise Respondents opinion on superiority of SBI’s Internet banking.

The above diagram (Figure 10) portrays occupation wise Respondent’s opinion on superiority of SBI’s internet banking. Majority i.e (83.33%) of Business class are of opinion that SBI is superior to other banks while the rest i.e (16.67%) of Business class are not convinced of the superiority of SBI as they appraise banks like ICICI and HDFC for its hi-fi services.

**Satisfaction level of website of SBI**

Figure 11: Respondent’s satisfaction level of the website of SBI.

Speed of the Website, Multimedia service, Reduced Downtime, Account upto-day, Instructions, Accessing the information, Security measures, Regular Updates and User friendly Interface are the different attributes of the bank’s website with respect to which the respondent’s satisfaction level is measured. Figure 11 highlights the satisfaction level of the website of SBI.

![Satisfaction Level of Website of SBI](image)

The above diagram (Figure 11) limelights the satisfaction level of website of SBI. The respondents are highly satisfied with regard to the instructions in the website and the informational content of the website and the respondents are moderately satisfied with the other features.

In spite of the absence of keyword search function, in the website of SBI, the respondents have mentioned that they are able to easily navigate through the site and it meets their information requirements. The respondents have expressed that the instructions in the site are easy to understand (as it does not contain technical jargon).

**Important factors for choice of Internet Banking**

Figure 12 highlights the Important factors for the choice of Internet banking such as Public Image, Familiarity, Location, Ease of conducting transactions, Security, Accuracy, Speediness, convenience and Personal services.

![Important factors for the choice of Internet Banking](image)

Different personalized services offered by banks and Customer’s familiarity with the bank were not the important factors which influenced the respondents decision to choose SBI as their internet bank.

The respondents are more concerned about the ease of use, security and speediness of transactions and they have expressed that these factors have influenced their preference to choose a particular bank as their internet bank.
Most of branches of SBI are automated and interlinked, fund transfer to third party is easy and it is cited as the major reason for SBI choosing the internet bank.

The customers feel easy to conduct the transaction with the bank and they feel much secured and safer to bank with SBI and it shows the customers reliability and trust on the bank. This table indicates that SBI continues to enjoy the trust of the public. The respondents are more concerned about the ease of use, security and they are less bothered about the familiarity of bank and convenience.

The respondents are least concerned about different personalized services as they prefer very limited services like fund transfer and savings accounts as these are the very basic banking services. (Figure 12)

Implications:

Among them a few customers experience the problems like lack of understanding of how the technology like Internet Banking operates. Especially it is a complication with customers who are not Internet savvy, a few customers are not able to successfully log in as their user id gets deactivated and still others. Due to these problems Internet bank services has not yet been enthusiastically used. In short, Internet and its use for transacting banking business in SBI is currently minimal. User acceptance rate of Internet banking is very low. Almost all the respondents still prefer to visit the branch to conduct their routine banking transactions rather than adopting self-serving banking channel like Internet banking. Only a small percentage of Customers are doing net banking though the growth potential is immense. The facility of accessing their accounts by using a home computer with Internet connection is particularly fascinating to Non-Resident Indians and high net worth individuals having multiple bank accounts. Personal-computer (PC) penetration remains low in Tirunelveli region. The concept of Internet banking is unfamiliar with most customers of SBI. Not more than 500 customers in Tirunelveli region as a whole have opted to open Internet bank account in SBI. Internet banking has not caught the fancy of a majority of customers as yet. Only a small percentage of customers use it. Most of the private sector banks cater to the middle income classes. Banks should target large companies. They should concentrate on corporate banking.

Conclusion:

A personal touch is required to be added in its technological service for the banks which will be the key differentiator which will distinguish a bank from the other banks. In this competitive world, it is a mandatory for Banks to equip themselves with effective strategies to attract and retain customers.

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