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Research Paper Economics

A study of the use of Information technology enabled banking services by Indian Customers

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ABSTRACT

Indian banking is undergoing a paradigm shift. Increasing number of customers prefer the electronic banking services over the traditional banking services. The average customer is at ease with the use of new products and services. Even in the rural area people use biometric ATMs. Present study is based on the primary data collected from a sample of bank customers from western India. The study reveals that a large percentage of customers have shifted towards the convenient Information Technology enabled services offered by the commercial banks in India. Bank customers are using the ATMs mainly for the withdrawal of cash and for checking the balance. The use of the internet and the plastic cards for the purchase of goods and service is on the rise.

KEYWORDS: Commercial Banks, Information Technology, ATM

Introduction

Economic growth and technological changes in the economy have tremendous impact on the customers' thinking and expectations. These changes have also altered the way of transacting business. The customers' demands are ever changing. Technology has made the low-cost access to services possible. The banking sector is experiencing the information technology revolution world over and India is no exception to such changes. Use of information technology is making it possible for the banks to offer a wide range of tailor made services to customer needs. Along with the increased number of banking products the coverage of the bank branches too is increasing. Mechanisation of banks has led to reduction of the cost of services. Thus the reduction in cost of services will increase the number of customers thereby increasing the revenue for the banks.

Literature Review

There is an optimism regarding the technology use in the banking sector. Banks are investing heavily in new technology to increase the level of mechanisation. This is the best possible way to reach out to millions of customers. Indian public sector banks are making all efforts to increase their market share by retaining old customers and adding new customers. Use of information technology in banking offers a lot of benefits to the customers. They are convenient banking, easy access, reduction in cost and time, privacy, elimination of waiting time, offers new value, reduction in visits to branches, and round the clock bankingRamani, (2007).Customers have become very demanding and banks have to deliver customized products through multiple channels, allowing customers access to the bank round the clockPurwar, (2003).

Influence of information technology has changed the Indian banking industry from conventional to convenience banking. The availability of new technology is forcing the bank to reengineer and to redefine their products and distribution channelsSreenivasan (2002).Sahrawat (2003) has undertaken a study of commercial banks in New Zealand. He finds that the operating cost and charges for electronic banking techniques such as Eftops (Electronic Funds Transfer at the point of sale), ATMs and telephone banking have been reduced. Customers are moving away from traditional instruments to electronic banking techniques. Boss et al (2004) study the emergence of information technology and internet and its impact on banking sector. The existing traditional banks face serious threat from the new and innovative banks. The new banks offer better pricing and greater customer satisfaction. The existing traditional banks have also started offering technology enables services but their coverage of the services are not satisfactory. Customers are opting for traditional banks which are information savvy. Therefore a

large number of people choose those banks which are established and are offering IT enabled services.In light of the available literature present study explores the acceptability of mechanised banking services by bank customers in India.

Research Methodology

The primary data related to customers' use of electronic banking is collected from a sample of bank customers. Data is collected from the purposive sample of customers residing in the states of Gujarat and Maharashtrausing close ended questionnaire through personal interview. As there is high concentration of banking and the strong presence of new private sector banks and foreign banks in these two states along with strong presence of corporate houses and headquarters of most of the banks in this region. The technology initiatives are implemented in this region with more rigour.Total number of respondents was 384, of which 20 responses were found incomplete. Hence for the purpose of the analysis data of 364 respondents is used.Using percentages, chi square and cross tabulation methods the study arrives at meaningful conclusion.

Respondents' Profile:

Of the total respondents 37.6 per cent are between 18 years to 25 years of age. 208 (57.1 per cent) respondents are between 26 to 55 years of age and rest 5.2 per cent of the respondents are 56 years or above. Male respondents are 231 i.e., 63.5 per cent are and rest 133 i.e. 36.5 per cent are females. 60.4 per cent are occupied in services, 17per cent are having their own business, 13.2 per cent are engaged in other activities and 9.3 per cent are self-employed. Ninety one per cent of the respondents are graduate or post graduate.

Findings

Use of Automated Teller machines (ATM)

The survey reveals that 88 per cent respondents have 1 or 2 plastic card(s) and 18.8 per cent have 3 cards and rest 20 per cent are holding 3 to 6 cards. 70 per cent of the respondents have ATM within half a kilometerdistance from their place of residence. Hence an increasing density of the ATMs and the ATM network like NFS is increasing the use of Information Technology based services of the banks.60 per cent of the respondents feel that the present services offered by their banks are sufficient. Rest 40 per cent desire more services from the ATMs.

The banks should increase the number of services provided by ATMs and make them more viable and profit making units. 235 (73.4 per cent) people are using ATMs from 1 to 5 times a month and 26.6 per cent of the respondents use ATM more than 5 times a month. Hence it is evident that the ATMs have reduced the rush in the branches and given more quality time to the employees. The bank also benefits immensely from this scenario because the banks can conduct the branch services with less number of employees and the human resources of the bank can be used for more productive purposes. This is a win-win situation for both the customers and bank concerned.However the technology has some negative externalities. 32 per cent respondents faced technical problems while using the ATMs. But larger per cent i.e, 69 per cent had no problem or seldom faced any problem.

The increasing use of ATM/debit cardsis an indicator of acceptance of the technology by the customers and convenience it offers to the customer. Instead of going to the bank branch the customer is frequenting the ATMs. This is again a healthy sign for the bank. The customers have accepted the mechanisation process. Their greater receptivity to the

plastic cards and ATMs can be construed as positive signs. The movement away from traditional transaction process to mechanised process has been frictionless to a large extent. The level of banking technology use in India has not yet reached to 100 per cent. ATMs are widely used by the people for withdrawal of cash and balance enquiry.

Use of Plastic Cards

Customers are using plastic cards for the payments at super market, petrol pumps, department stores, restaurants, retail stores, payment for online purchase, bill payments, airline and railway reservation. 15.7 per cent people use cards at petrol pumps and 15 per cent use at the department stores. This is not an encouraging figure. In spite of convenience offered by this medium of banking, security is the main concern of the customers. With the increasing number of credit card and debit card frauds customer does not feel comfortable in using credit cards or debit cards. If the development in technology addresses this issue then definitely the economy will become cash less economy. The survey shows that the age group 26 to 55 is using the plastic cards more extensively.In fact the banks should add more services to the list so that there is more use of cards by the customers and the use of cheques can be reduced considerably. This will result in the reduction of cost.

Use of internet

Internet banking enables a customer to log on to the bank's website using a bank-issued identification and a personal identification number. 81.9 per cent of the respondents have internet account. However, only 32 per cent of these are using the internet account for the banking purpose. 15 per cent do not know about such facilities. 49 per cent of the customers know about the internet services of the banks but they do not use them.

Out of total 65 per cent of the respondents are using internet for checking account balance whereas the lowest 6.6 per cent are using for placing stop payments. If banks can persuade the customers to go online then inline transaction can be reduced to a great extent. The biggest hurdle in making customer online is security concern.

Relationship between use of mechanised services and respondents profile

The p-value of for χ^2 test shows the dependence of a qualitative variable on the other. P value less than 0.05 depict significant dependence.

Table 1: Chi Square (Pearson's P Values) for use of internet and customers' profile

	Age	Educational Qualification
Number of Cards	0.000	0.000
Use of internet for banking	0.176	0.010

In Table 1 the Pearson's chi square values show that the number of cards is highly dependent on age and educational qualification. The use of internet for banking purpose is highly dependent on the educational qualification. However, age is insignificant factor for the use of internet user for banking.

IT has widened the banking services

Banks claim that they are able to provide tailor made services to the customers and cater to their specification. But, does the customer feels the same? 91.5 per cent are positive and 8.5 per cent feel that is simply a claim.96.7 per cent of the customers are either satisfied or very much satisfied with the services offered by their banks. In Indian banking scenario public sector banks definitely score high from the Indian customer.

Conclusion

Indian customers have welcomed the mechanised services offered by the banks. They select a bank because of the quality of services and trustworthiness. The average customer is at ease with the use of new products and services. Even in the rural area people use biometric ATMs with the help of finger prints as the password. Bank customers are using the ATMs mainly for the withdrawal of cash and for checking the balance. The use of ATMs by the customers can be made more comprehensive. Use of internet and online facilities are at the nascent stage. There is huge room for the improvement on this count. Customers are increasingly using ATM, and plastic cards. Banks need to encourage the use of such instruments more aggressively.

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