



## IMPACT OF E-BANKING ON THE PERFORMANCE OF SBI AND ICICI BANKS IN INDIA AND CUSTOMERS' PERCEPTION TOWARDS E-BANKING SERVICES - AN EMPIRICAL STUDY WITH SPECIAL REFERENCE TO TIRUPUR DISTRICT

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### KEYWORDS :

#### 1.1 Introduction

The banking industry in India has been around since the first currencies were minted, from the time of Britishers, from nationalization to privatization of banks and entry of foreign banks into India. In short, banking in India has been through a long journey over the period. The financial reforms that were initiated in the early 90s and the globalization and liberalization measures brought completely new operating environment to the banks. Services and products like "Anywhere Banking," "Tele-Banking," "Internet Banking," "Web Banking," "E-Banking" etc., have become the buzzwords of the day and the banks are trying to cope with the competition by offering innovative and attractive packaged technology based services to their customers.

In the early 80s, a high level committee has been formed by RBI (Reserve bank of India) under the chairmanship of Dr. C. Rangarajan, the Governor of RBI, to draw up a phased plan for computerization and mechanization in the banking industry over a five year time frame of 1985-89. The focus by this time has been on customer service and two models of branch automation have been developed and implemented. Having gained experience in the earlier mode of computerization, the second Rangarajan committee constituted in 1988 had drawn up a detailed perspective plan for computerization of banks and for extension of automation to other areas like funds transfer, e-mail, BANKNET, SWIFT, ATMs, Internet banking etc.

The Government of India had enacted the Information Technology Act, 2000, generally known as IT Act, 2000, with effect from the 17th October 2000 to provide legal recognition to electronic transactions and other means of Electronic Commerce. Reserve bank of India had set up a 'Working Group on Internet Banking' to examine different aspects of Internet banking (I-banking). The Group had focused on three major areas of I-banking i.e., (i) technology and security issues, (ii) legal issues and (iii) regulatory and supervisory issues. RBI had accepted the recommendations of the Working Group and accordingly issued guidelines on "Internet banking in India" for implementation by banks. Considerable progress has been made in consolidating the existing payment systems and in upgrading technology with a view to establishing an efficient, integrated and secure system functioning in a real-time environment.

In the initial stage of IT adoption, only a handful of foreign banks operating in India first offered e-banking services to their customers such as ATMs, computerized monthly statements, secure online operations, etc. In later years domestic private sector bank like ICICI Bank and HDFC Bank have taken a lead in introducing e-banking in India in 1996. The State Bank of India (public sector bank) had also pioneered in introduction of e-banking service in India. After ICICI, Citibank, IndusInd Bank and HDFC Bank have been the early ones to adopt the technology in 1999. The evolution of banking technology has been driven by changes in distribution channels as evidenced by Automated Teller Machine (ATM), Phone-banking, Tele-banking, PC-banking and most recently Internet banking, Mobile banking and Core banking transaction through NEFT and RTGS (National Electronic Fund Transfer and Real Time Gross Systems).

The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift

in banking operations in India. For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. For customers, it is the realization of their "anywhere, anytime, any way" banking dream. This has prompted the banks to embrace technology to meet the increasing customers' expectation and face the toughest competition that is growing day-by-day among the various groups of banks and even among the intra-group banks. In short, the recent trend in technology has put forth the competitions among the banks. This has led to increasing total banking automation in the Indian banking industry.

Today, E-banking services have a considerable impact on banking business in India, because it creates innovative services. Online banking has been more convenient for consumers because the internet is open for 24 hours and can be accessed from anywhere in the world. Banking activities such as; account inquiries, depositing or transferring funds and ordering cheques, can now be done remotely, 24 hours a day and seven days a week. The e-banking is transforming the banking and financial industry in India, in terms of the nature of core products /services and the way these are packaged, proposed, delivered and consumed. The e-banking offers huge opportunities in every spheres of business as the competitive advantage, member/client retention, increased revenues and reduced costs. Understanding clients, organizational elasticity, availability of resources, system security, reputable brand name, having multiple integrated channels, e-channel specific marketing, support from top management and good client services are the vital factors for the success of e-banking services in India. Based on the above drawn detailed discussion the present study had aimed to analyse the trend in E-Banking adoption by the scheduled commercial banks in India and the impact of e-banking adoption on the performances of pioneer e-banking service adopters in the public and private sector category i.e., SBI (State bank of India) and ICICI bank (Industrial Credit and Investment Corporation of India). Similarly, the study has also portrayed customers' perception towards e-banking services offered by the SBI and ICICI bank.

#### 1.2 Statement of the Problem

In recent past, banks are challenged by technological up scale that led to innovative products which stiffed up competitions for market share. There is a shift from paper-based to electronic payments and reliance on ATMs rather than costly branch offices to deliver cash and other depositor related services. Both banks and customers are increasingly migrating from traditional banking channels to the e-banking channel for the benefits or advantages of e-banking for both the sides. The main advantages of E-banking is that operating cost per unit services is lower for the banks and offers convenience to customers as they are not required to go to the bank premises and also the customer can easily transfer the funds from one place to another place electronically. Online banking is a technological advancement that has brought about such drastic change. The banking industry has adopted virtual banking to improve business process, infrastructure, and customer relationships. These changes have had a major impact on the banking business, but more transparently on the customers of online banking. The matrix measures for the improvements added by online banking can be evaluated on comparable levels of service, efficiency and cost

satisfaction, for both the provider and consumer of this technology. Based on this conceptual understanding this empirical study had aimed to analyze the impact of e-banking on the performance of SBI and ICICI banks in India and customers' perception towards e-banking services. The geographical region of the study has been restricted to Tirupur District, Tamilnadu in India.

### 1.3 Significance of the Study

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 in India. It has increased efficiency in the sphere of effective payment and accounting system thereby enhancing the pace of delivery of banking services considerably. It allows customers to access banking services electronically such as: pay bills, transfer funds, view accounts or to obtain any banking information and advice. E-banking has also facilitates new relationships with customers, regulatory authorities, suppliers and banking partners with digital-age tools. For example, customers and bank relationships will become more personalized, resulting in new modes of transaction processing and service delivery.

Though, banks in India are facing with a number of important issues, for example how to take full advantage of new technology, how e-banking changes the ways customer's relation with the service providers, etc. The banking industry has been considerably influenced by expansion of technology. Moreover, adoption of e-banking practices has benefited the scheduled commercial banks operating in India in overcoming the drawbacks of manual system, as computers are capable of storing, analyzing, consolidating, searching and presenting the data as per the user requirements with lots of speed and accuracy. Above drawn theoretical discussion had defined significant rationality for conduct of this study.

### 1.4 Scope of the Study

This study has aimed to analyse the impact of e-banking on the performance of public and private sector banks and its benefits realised by the banking customers'. Thus, it is believed that current study will help the financial experts, bankers in both public and private sector and also to the customers' in understanding whether the performances of banking sector in India has enhanced after implementation of e-banking services, in what way the customers are benefitted, their perception and satisfaction level towards e-banking services offered by their specified banker. The study has also provided scope for the bankers in understanding their customers demand and perception towards their services and offers a means through suggestion for enhancement of their services.

### 1.5 Objectives of the Study

Based on the above stated purpose of the study, following objectives are framed for effective conduct of the study.

- To study the ICT (Information and Communication Technology) adoption by the Scheduled Commercial Banks in India.
- To study the progress of Electronic Clearances of Scheduled Commercial Banks in India in general, SBI and ICICI banks in specific.
- To measure the profitability status of SBI and ICICI banks due to the implementation of Electronic services (E-banking).
- To identify the demographic cum social economic status of the customers those who avail E-banking services and their level of perception towards E-banking services offered by SBI and ICICI banks.
- To evaluate the customers' level of satisfaction towards E-banking services offered by SBI and ICICI banks and to offer suitable

suggestion to the banks for enhancing their customers' satisfaction.

### 1.6 Hypothesis of the Study

To draw empirical justification to the above framed objectives of the study, following hypotheses have been framed and tested with appropriate statistical tools.

- There exists vast difference in the performance and profitability of the SBI and ICICI banks before and after implementation of e-banking services.
- SBI and ICICI bank customers' preferences of operating a bank account significantly differ from one to another.
- There exists close association between demographic status of bank customers' and their level of awareness towards e-banking services.
- There exists close association between the factors that influenced customers' to adopt e-banking services and the advantage of e-banking realized by them.
- SBI and ICICI bank customers' preferences of e-banking services significantly differ from one to another.
- There exists rational relationship between longevity of customers association with the banker and the nature of e-banking services utilised by them.
- There exists wide gap between customers' level of perception on technology enabled banking services and their level of satisfaction.

### 1.7 Research Methodology

The research methodology of the study consists of three stages. The study is both qualitative and quantitative in nature. The qualitative paradigm is concerned with qualities and non-numerical characteristics and it is mostly descriptive in nature. Quantitative paradigm is about data that is collected in a numerical form. A phenomenological paradigm tends to produce qualitative data and a positivistic paradigm tends to produce quantitative data through data collection and application of required statistical tools.

**Stage I:** First stage of the research has been exploratory in nature. This has formed the desk research work where the reviews of available secondary literature for the study have been collected. This exploratory search forms the basis for preparing the data collection tool i.e., questionnaire for the next stage.

**Stage II:** Diagnostic research technique (Analytical) has been applied to measure the competitive status of scheduled commercial banks performances in terms of electronic clearance services (both in term of receipts and payments). Diagnostic research analysis has also been performed to compare the competitive status of sample banks i.e., SBI and ICICI banks. Similarly, the study has also compared the performances and progress of business operations and operational efficiency in term of profitability of these two sample banks (SBI and ICICI bank) before and after implementation of electronic banking services in India.

**Stage III:** A descriptive research has been carried out at the third stage by applying a survey method. A well-structured questionnaire has been used as the data collection tool. The questionnaire contained queries related to the demographic cum social economic status of the customers who availed E-banking services and their level of perception and satisfactions towards E-banking services offered by SBI and ICICI banks.

#### 1.7.1 Sampling

Multi-level sampling technique has been adopted for the conduct of this study. This study has aimed to analyse the trend in E-Banking adoption by the scheduled commercial banks in India and the impact of e-banking adoption on performances of pioneer e-banking service adopters in the public and private sector category

i.e., SBI and ICICI bank. Similarly, the study also aims to portray customers' perception towards e-banking services offered by the SBI and ICICI bank. Based on the aim of the study the sampling technique has been framed.

**Stage I:** The first part of sampling pertains to the selection and identification of year-wise scheduled commercial banks statistics related to e-banking service adoption and its related business proceedings. In this stage all the five categories of scheduled commercial banks operating in India have been considered as the samples i.e., (i) Nationalized Banks (ii) State Bank of India and its Associates (iii) Old Private Sector Banks (iv) New Private Sector Banks and (V) Foreign Banks.

**Stage II:** Two leading banks in the implementation of e-banking services, one each from the public sector banks and private sector banks namely, State Bank of India and ICICI banks have been selected for the purpose of the study. The data pertaining to e-banking service adoption and its impact on business performances have been collected at this stage.

**Stage III:** To study the customers' level of perception towards e-banking services, out of 34 SBI branches and 13 ICICI branches functioning in Tirupur District 30 per cent of the branches have been selected as samples i.e., ten bank branches of SBI and four branches of ICICI bank. A sample of 30 customers each from the sample branches have been selected randomly that have been summed to a total of 420 bank customers. Researcher adopted convenience sampling technique for collection of primary data from the sample populations.

### 1.7.2 Justification of Period of the study

For the purpose of analysis the total time period of the study has been divided into two. The period prior to Payment and Settlement System Act, i.e., from 2001-02 to 2006-07 has been taken as Initial IT implementation period (Period I) and post Act period i.e., from 2007-08 to 2013-14 has been taken as an Advanced IT implementation period (Period II). The primary data from the customers' has been collected during the period from December 2013 to September 2014.

Since Reserve Bank of India had set-up Board for Payment and Settlement Systems in 2005, which released a vision document incorporating a proposal to set up an umbrella institution for all the Retail Payment Systems in the country from 2005 onwards and the statistical data on banks e-banking transaction have been printed and published from 2007 onwards, the study period for analysing e-banking adoption by various segment of banks in India has analysed only from July 2007 to March 2014.

### 1.7.3 Data Source

The present study has based on both primary and secondary data. The primary data has been collected after conducting a pilot study from 25 bank customers and making necessary changes in the questionnaire. The secondary data has been collected from Center for Monitoring Indian Economy [CMIE], Prowess, annual reports of respective banks, journals, magazines, news bulletins, web sites, records and publications of SBI and ICICI banks, Indian Bankers Association Report, RBI's trend and progress of banks in India and published and unpublished sources of information from Canara bank, the Lead bank of Tirupur District.

### 1.8 Statistical tools used

The following statistical tools have been used for analysis: Measure of dispersion (mean and Standard Deviation), Annual Compound Growth Rate, frequency distribution, Weighted Arithmetic mean, Chi-square test, ANOVA, Pearson's Correlation of Co-efficient, Multiple Regression, Rotation factor analysis, Reliability analysis, Paired 'z' test and Ratio analysis.

·The Measures of dispersion helped in interpreting the mean,

standard deviation and annual growth rate of the variable used in this study, like: NEFT, RTGS, ATM, credit and debit card transactions of scheduled commercial banks, SBI and its associates, old private sector banks, new private sector banks and foreign banks. Ratios like: Interest Income, Interest Expenses, Operating Expenses, Spread, Burden and profitability status of SBI and ICICI banks have been interpreted in the study.

·The frequency distribution of the variables has helped the researcher to calculate distribution value of variables tested.

·Weighted arithmetic mean and Likert's Summated scales have helped in interpreting the averages of the variable used in this study, like: reasons stated by the bank customers' for maintaining account in particular banker, bank customers' level of awareness towards e-banking services, factors influencing the bank customers' to avail e-banking facilities, bank customers' advantages of e-banking services, bank customers' level of perception on the e-banking services delivered by the banker, bank customers' level of perception towards technology enabled services offered by the banker and level of satisfaction derived by the bank customers' towards technology enabled banking services

·Chi-Square test has been applied to measure the relationship between longevity of customers association with the banker and the nature of e-banking services utilised by them.

·ANOVA test has been applied to measure the association between demographic status of bank customers' and their level of awareness towards e-banking services.

·Paired 'Z' test has been applied to measure whether there exists wide gap between customers' level of perception on technology enabled banking services and their level of satisfaction.

·Multiple regression analysis has been constructed to measure the association between the factors that influenced customers' to adopt e-banking services and the advantage of e-banking realized by them.

### 1.9 Limitations of the Study

The researcher has taken all possible efforts to avoid the statistical discrepancy and reliability of data supplied both at the time of data collection and however the present study is subject to the under mentioned limitations:

·Though IT adoption in India started after the 1998 banking regulations, the data related to operation of IT adoption by the scheduled commercial bank has been available only from 2007 July onwards. Thus, the study focused on the IT adoption trend and operational progress of scheduled commercial bank for six years i.e., from July 2007 to March 2014. This may affect the findings of the study since partial data has been considered for analysis.

·At micro level, the study has aimed to focus only on the trend and progress of e-banking services operational feasibility of two banks i.e., SBI and ICICI, who have been considered to be initial adopter of e-banking services in India. There may be few other private and public sector banks who may have achieved higher efficiency in term of e-banking service offering and management. This study has failed to analyse the e-banking services performance of other 89 banks individually.

·Similarly, at micro level this study is proven to face limitation due to the geographical region restricted for primary data collection. The results of the study may not cover other urban/semi-urban regions of the other district in Tamil Nadu and hence the findings of the study may not be generalized.

### 1.10 Chapter Scheme

The framework of this research work has been structured to gain

insights into the above purpose and thus includes five chapters namely the Introduction and Design, Literature Review, Theoretical Discussion, Interpretation of Analysis and Summary, Findings, Suggestion, Conclusion, and Future Research Scope and it has been briefed below:

**Chapter I:** The first chapter has focused on the introduction and research design of the study. This chapter presents the introduction, statement of the problem, objectives of the study, research methodology, limitations of the study and chapter scheme.

**Chapter II:** The second chapter portrays the review of literature of past studies carried in the study area.

**Chapter III:** The third chapter of the study covers theoretical discussion on adoption of ICT (Information and Communication Technology) by the scheduled commercial banks in India.

**Chapter IV:** The fourth chapter of the study deals with the analysis of progress and performance of e-banking services among the five categories of banks at macro level i.e., Nationalized Banks, SBI and its Associates, Old Private Sector Banks, New Private Sector Banks and Foreign Banks operating in India. In this chapter the e-banking services of two pioneer bankers i.e., SBI and ICICI banks have been also considered for analysis and interpretation.

**Chapter V:** The fifth chapter of the study deals with the analysis and interpretation on banking customers' perception towards e-banking services offered by SBI and ICICI banks in Tirupur district.

**Chapter VI:** The sixth chapter of the study provides a summary of findings, suggestions and conclusion.