



## Impact of select demographical variables on the frequency of visits to Banks-A Bangalore based empirical study in Core Banking System environment

### KEYWORDS

Core Banking System(CBS), e-Banking, Banking habits, Consumer Behaviour, Preferred Choice of Banking.

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**ABSTRACT** Core Banking System is a revolution in the banking history. Core Banking Solution (CBS) is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank's Customer.

This study investigates the impact of Core Banking Services on the banking habits of a retail Customer under e banking situation. The data is collected from a sample of 100 customers of Indian banks from Bangalore, researcher has conducted a comprehensive profile analysis and found a number of key findings as to the banking habits of retail customers. This paper mainly talks about evaluating and appraising the customer's habits in regard to access to pre and post introduction of core banking and tries to establish a relationship between their banking habits with demographical factors.

CBS	Core Banking System
ATM	Automated Teller Machine
IT	Information technology

### I. Introduction

Since last century information technologies came into our everyday life and changed our everyday activities. Information technologies are adopted by the vast number of consumers in India and all around the world. Information technologies have changed consumer buying habits.

It is said that, 'Social – Local - Mobile' are the new battlegrounds for providing relevancy to today's consumers. More than ever before, consumers are becoming empowered by the use of new technologies. These technology savvy consumers are changing the rules of commerce and shifting the balance of power in their favour may it be for the goods or for the services. It is very convenient and up-to-date to use information and telecommunication technologies for communication among individuals what improves the information flow within an organization and outside.

Focusing on changes occurred in the field of Banking; Core Banking System is one of the recent developments in the field of banking and has proved to be very useful. The prime impact of the Core Banking System is that it facilitates banking operations like ATM's, Electronic fund, Transfers, Telebanking, Internet banking, Mobile banking etc. Understanding the importance of study of consumer habits, efforts have been made to study the Banking habits of retail customers under e banking environment.

### II. Theoretical Framework:

#### Core Banking System:

Core Banking System or CBS is one of the recent developments in the field of banking and has proved to be very useful. It is a facility provided by banks in which a customer, having an account in one branch, can operate his account, in any other branch of the bank. This has become possible, because each account holder is given a specialized, computerized and unique account number. The advancement in technology especially internet and information technology has led to new way of doing business in banking. CBS is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his

account. The customer is no more the customer of a Branch. He becomes the Bank's Customer. Thus CBS is a step towards enhancing customer convenience through Anywhere and Anytime Banking.

In simple terms, CBS is a type of banking, in which a person, who opens a bank account in a particular branch of a bank, will be a customer of the bank, rather than being a customer of a particular branch. The prime features of the CBS are that it facilitates banking operations like ATM's, Electronic Fund, Transfers, Telebanking, Internet banking, Mobile banking etc. Moreover, introduction of new facilities and products wouldn't be a time-consuming process, and branch clearings would become instantaneous.

The technologies have cut down time, working simultaneously on different issues and increased efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like

- Recording of transactions,
- Passbook maintenance,
- Interest calculations on loans and deposits,
- Customer records,
- Balance of payments and withdrawal

Core banking is about knowing customers' needs and providing them with the right products at the right time through the right channels 24 hours a day, 7 days a week. The rapid advancement in Information and Communication Technology (ICT) has had a profound impact on the banking industry and the wider financial sector over the last two decades and it has now become a tool that facilitates banks' organizational structures, business strategies, customer services and other related functions. The recent "IT revolution" has exerted far-reaching impacts on economies, in general, and the financial services industry, in particular. Within the financial services industry, the banking sector was one of the first to embrace rapid globalization and benefit significantly from IT development.

The technological revolution in banking started in the 1950s, with the installation of the first automated bookkeeping machines at banks. This was well before the other industries became IT savvy. Automation in banking became widespread over the next few decades as bankers quickly realized that

much of their labor-intensive information-handling processes could be automated with the use of computers. The first Automated Teller Machine (ATM) is reported to have been introduced in the USA in 1968, and it was only a cash dispenser. The advent of ATMs helped both to improve customer convenience and reduce costs, as before ATMs, withdrawing funds, accounts inquiries and transferring funds between accounts required face-to-face interaction between bank staff and customers.

### Benefits

#### CBS helps a bank by:

- Power to facilitate 24 X 7 Banking
- Enable Anywhere Banking
- Integration with strategic sectors
- Business Process Re-engineering (BPR) enabler
- Reducing operating costs significantly
- Increase in operational efficiencies & productivity
- Helping a bank comply quickly with changing regulatory requirements
- Driving product innovation
- Ensuring rapid customer acquisition
- Enhancing customer relationship management
- Scalability to support rapid growth and M&A initiatives
- Offline functionality.
- Reduce dependency
- Speedy remittances across the country
- One stop shop for all banking needs
- Empowerment through improved service quality

Due to its benefits, almost all the banks in India in recent years have taken steps to implement the Core Banking Solutions with a view to build relationship with the customer based on the information captured and offering to the customer, the customized financial products according to their need.

### Consumer Behavior

According to Kotler and Keller (2009;190) consumer behavior is defined as under:

“Consumer Behavior is the study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants”.

It is very important to understand the consumer behavior by any marketer, which will help him in framing his marketing strategy in a better way. Analyzing the behavior of a customer is never an easy task. Several studies are undertaken with reference to the factors influencing consumer behavior, model of consumer behavior, consumer decision making process etc.

Kotler and Keller (Marketing Management, 12<sup>th</sup> Edition: 146) says, following are the factors influencing Consumer Behavior:

- a. Cultural Factors – Culture, subculture and social class are particularly important influences on consumer buying behavior. Culture is the fundamental determinant of a person's wants and behavior.
- b. Social Factors- In addition to cultural factors, a consumer's behavior is influenced by such social factors as reference groups, family and social roles and statuses.
- c. Personal Factors – A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle; occupation and economic circumstances; personality and self-concept; and lifestyle and values.

Based on the study of above factors and also considering Key Psychological Processes like Motivation, Perception, Learning, Memory etc., ‘the buying decision process: The Five Stage Model’ also is developed as under:

No doubt, that all the above study is made keeping orientation towards Product buying. Several studies also have been made with regard to consumer behaviour. In its early stages, the service literature focused on the unique characteristics of services (e.g., intangibility, heterogeneity, inseparability, and perishability) and their impact on consumer behavior in this context (Shostack 1977; Zeithaml 1981; Wolak et al.1998).

This paper tries to analyses the change in the habits of the retail banking customer as a result of introduction of CBS. An attempt of linking their habits with demographical factors also is made in order to give a weightage to the study.

### III. Literature Review

This helps us to understand the related research by other researchers in the similar field. This review gives us an impression about the contribution made by others.

- A. *AlMohaimmeed, Bader M (2012)*, the study was about Technology Acceptance Model (TAM) by the banking users of Saudi Arabia. The main results of this study suggest that two factors, namely perceived usefulness and service visibility directly influence Saudi customers' intention to use internet banking. Perceived ease of use is indirectly significant on the behavioral intentions through perceived usefulness. Moreover, perceived trust, system reliability and accessibility significantly influence perceived ease of use of internet banking. The results also reveal that customer trust in internet banking can be developed by focusing on only one theoretical construct of trust, perceived bank trustworthiness of the internet banking provider.
- B. *Michael D. Clemes (New Zealand), Christopher Gan (New Zealand), Li Yan Zheng, New Zealand (2007)*- Their study identifies and examines the factors that contribute to banking habits in New Zealand from the customer's perspective. They have used Logistic regression to analyze the data and determine the impact the factors have on customer banking habits in New Zealand. The logistic regression results have confirmed that customer commitment, service quality, reputation, customer satisfaction, young-age, and low educational level are the most likely factors that contribute to customers' banking habits.
- C. *Shumaila Y. Yousafzai2, Gordon R. Foxall, and John G. Pallister (2010)*, have tried to ascertain the extent to which 3 popular models of users' behavior—theory of reasoned action (TRA), theory of planned behavior (TPB), and technology acceptance model (TAM)—are predictive of consumers' behavior in the context of Internet banking. Unlike other tests of these models, this paper has employed independent measures of actual behavior, as well as behavioral intention. The results have indicated that TAM is superior to the other models and highlights the importance of trust in understanding Internet banking behavior.
- D. *Elina Gaile-Sarkane(2009)*, in her research, customer behavior in electronic environment have been analyzed, peculiarities of behavior caused by information and telecommunication technologies were found. The research conducted by the author showed that information technologies create dynamic behavior what involves different from traditional market interactions and exchanges.

### IV. Need for the Research:

Understanding the importance of CBS and its impact on banking habits of retail customers, an effort has been made to study the Banking habits of Retail Customer under e banking environment.

The issue is very imperative and referring back to the research conducted in the said filed, none of the researcher have focused on the banking habits of a retail Customer as a result of introduction of e banking. Based on the above parameters, as there exist a vast research gap, the present research is an attempt to study the impact of CBS on banking

habits of a retail customer

**V. Objective of the paper:**

The study is aimed at evaluating and appraising the customer's habits in regard to access to pre and post introduction of core banking. In order to examine these, this paper has the following objectives before it:

- To study the impact of CBS on personal visits of customers to the branches
- To ascertain the relationship between the preferred choice of banking services even after availing to core banking and occupation, educational level.

**I. Collection of Data**

In order to achieve the identified objective pertaining to the priorities and preferences and views, a sample of 100 customers transacting through core banking facilities were taken randomly from different banks in Bangalore. A tested questionnaire was administered to these respondents. The data have been collected through online questionnaire. A structured questionnaire was used as a data collection tool, and the statistical random sampling was used for the purpose of the study.

**III Tools and Techniques Used**

Tables' bar diagram and structures are used in explanations to bring out the point more clearly. Tabulation of the primary data was done. Other statistical techniques those used are, Percentage method – it shows the trend of the variable, Chi-square – it is used to test the independence of attributes etc.

**IV Demographic profile of the Sample Respondents**

As it is observed from Table-1, it is seen that 44 percent of them are post graduates and another 22 percent of them completing their graduation. Interestingly, 20 percent of

**Table 1: Educational Qualification of sample respondents**

Qualification	% of respondents
Under Graduate	8
Graduate	24
Post Graduate	44
Doctorate	20
Others	4
Total	100

respondents completing their doctoral qualification. Furthermore, with respect to occupational status, 44 percent of them are involved in their business and working as professional – Chartered Accountants, IT professionals and so on. Another 33 percent of them are salaried people working in both public and private sector. The rest 17 percent are students and home makers under the sample.

**Table 2: Occupational Status of sample respondents**

Monthly Income (in Rs)	% of respondents
Business/profession	44
Salaried	39
Housewife	8
Students	9
Total	100

**Table 3: Monthly Income of sample respondents**

Monthly Income (in Rs)	% of respondents
< Rs 20,000	14
20,000 – 40,000	42
40,000 – 60,000	31

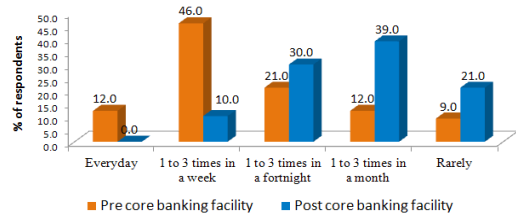
> 60,000	13
Not Applicable*	17
Total	100

\* Student and housewife excluded

Finally, observing the pattern of monthly income of sample respondents, it emerge from Table-3 that of 42 percent of respondents fall under Rs 20,000 to Rs 40,000 income bracket, while another 31 percent of them earning a cumulative income of Rs 40,000 to Rs 60,000 in a month. About 13 percent of them have income more than Rs 60,000 per month. On the other, 14 percent of respondents have their montly income less than Rs 20,000.

Now, that question that would be addressed is whether the introduction of core banking aka e banking has really changed the banking habits of customers. In essence, the purpose of present study is to analyse the impact of core banking in changing the habits of the customers in terms of lesser frequency of visit to banks and thereby enjoying the benefits or facilities provided through core banking. As the sample respondents under study had enabled the core banking facility, a particular query pertaining to number of visits to their respective bank before and after accessing to core banking facility. In this regard, the frequency of visiting bank pre and post implementation of core banking in any given month is depicted in fig 2.

**Fig 2: Frequency of visit to bank by customers -Pre and Post core banking facility**



It is evident from fig 2 that there is a decline in frequency of visit to the bank after availing the facilities of core banking as compared to traditional banking facilities. Accordingly, 46 percent of respondents informed that they used to visit bank one to three times in week earlier and after availing the core banking facility, the percentage has declined to ten percent. Furthermore, the percentage of respondents visiting banks for about 3 times a fortnightly has increased from 21 percent to about 30 percent and from 12 percent to 39 percent visiting about three times in a month after the introduction of core banking.

**CHI SQUARE TEST OF INDEPEDENCE**

**1. Association between Educational Qualification and frequency of visit to bank**

H<sub>0</sub>: There is no association between educational qualifcation and frequency of visit to bank.

H<sub>1</sub>: There is an association between educational qualifcation and frequency of visit to bank.

**Chi-Square Tests - Educational Qualification**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.614	9	.383
Likelihood Ratio	9.967	9	.353
Linear-by-Linear Association	.137	1	.712
N of Valid Cases	100		

It is seen that the Chi-Square value is 9.614 and the Asymp sig (p-value) is 0.383 which is greater than the critical value ( $P=0.05$ ). Hence null hypothesis is accepted. In other words, there is a no significant relationship between qualification and frequency of visit to bank.

## 2. Association between Occupational Status and frequency of visit to bank

$H_0$ : There is no association between occupational status and frequency of visit to bank.

$H_1$ : There is an association between occupational status and frequency of visit to bank.

### Chi-square test result

Chi-Square Tests - Occupational Status

	Value	$\text{df}$	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.154	9	.999
Likelihood Ratio	1.176	9	.999
Linear-by-Linear Association	.192	1	.661
N of Valid Cases	100		

It is seen that the Chi-Square value is 1.154 and the Asymp sig (p-value) is 0.999 which is greater than the critical value ( $P=0.05$ ). Hence null hypothesis is accepted. In other words, there is no significant relationship between occupational status and frequency of visit to bank.

## 3. Association between Monthly Income and frequency of visit to bank

$H_0$ : There is no association between Monthly Income and frequency of visit to bank.

$H_1$ : There is an association between Monthly Income and frequency of visit to bank.

### Chi-square test result

Chi-Square Tests - Monthly Income

	Value	$\text{df}$	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.289	9	.952
Likelihood Ratio	3.282	9	.952
Linear-by-Linear Association	.881	1	.348
N of Valid Cases	100		

It is seen that the Chi-Square value is 3.289 and the Asymp sig (p-value) is 0.102 which is greater than the critical value ( $P=0.05$ ). Hence null hypothesis is accepted. In other words, there is a no significant relationship between Income and frequency of visit to bank.

### VI Conclusion

Firstly, briefing on the issue of frequency of visit to bank in post core banking, it is observed that the percentage of respondents accessing to bank physically has declined. However, it would be prudent to come to a conclusion that there has been a positive impact on the habit of bank customers and there could be more customers accessing to core banking facilities in future due to the fact that the sample size being insufficient.

Secondly, it emerged from the analysis that there is no evidence (Statistically) to conclude that the frequency of bank visit is not dependent on the educational qualification, Monthly Income and occupational status. This would imply that there is no conclusion that because of higher education and high income of the family, people are opting for core banking and this resulted in lesser frequency of visit to the banks.

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