

Alternate Banking Channels for Customer Convenience



Banking

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ABSTRACT

In the last two decades banks in India have embraced information and communication technology in a big way. They have migrated to core banking platform thereby seamlessly networking their bank branches across the country. This has helped banks to provide enhanced services and new products to their customers in a more efficient manner. The purpose of this research is to examine the alternate delivery channels available to bank customers for various banking services at their door step.

1. Introduction

Competition and computerization have changed the Indian banking scenario. Manual ledgers are replaced by desk top computing and electronic statements of accounts are replacing saving bank passbooks. Plastic cards have made the wallet thinner.

Initially bank branches were computerized on standalone basis. The ATMs were also standalone ATMs. When banks adopted core banking systems, it resulted in networking of branches as well as the ATMs across the country. It also gave a fillip to ATM network across the country which has now crossed the 100,000 mark in 2012.

Induction of technology in a big way has made the Indian banks robust and stronger. It has benefited the customers in more ways than one. Customers no longer need to go to their brick and mortar branches and stand in long queues for banking services. They can do their banking transactions from the comfort of their home or office.

2. Rationale and Objective of the present study

With the help of information technology and communication technology, banks in India have introduced many new products and services using modern delivery channels such as ATM, internet and mobile telephony. This study examines the alternate banking channels available to customers.

3. Objectives of the Study

The objectives of the study are:

- To identify the alternate banking delivery channels in India
- The add-on products and services
- The challenges faced in usage of the alternate delivery channels

4. Research Methodology

This research covers all types of banks in India. Data and information were gathered from secondary sources which included books, journals, newspapers, websites, and research studies. Critical analysis of the data and information collected from published sources were made keeping the objectives of the study in mind.

4. Findings of the Study

4.1 Modern Delivery Channels

Technology has greatly helped the banking sector to provide alternate delivery channels besides bank branches. The modern alternate delivery channels available to customers for banking services are:

- ATMs,
- Internet banking,
- Phone banking,
- Mobile banking,
- Multifunctional kiosk,
- Call centres,
- Point of sale, etc.

ATMs have replaced bank tellers thereby making cash withdrawal anytime, anywhere, whereas previously he had to visit the bank

branches during business hours for withdrawing cash. With the advent of internet, online banking or electronic banking (e-banking) has further simplified banking services. Customers can easily make a host of transactions through internet banking such as

- funds transfer from one account to another within the bank or across banks through NEFT / RTGS,
- open e-fixed deposit accounts / recurring deposit accounts,
- make online purchases, utility bill payments, etc.

With the advent of wireless mobile telephony, mobile banking as a means of anytime any where banking has come to stay. Various types of transactions are possible using mobile banking facility. It is truly a device that has made 'banking-on-the-go' possible.

With superior technology, internet banking products are becoming popular in cities and metros. These include

- account(s) information,
- third party fund transfer,
- downloading historical statement, etc.
- online payment of income tax, sales tax, excise and customs duty, octroi payments,
- booking of railway / airway tickets,
- e-shopping,
- on-line share trading,
- hotel bookings,
- donations,
- payment of school / college fees,
- purchase of movie tickets, etc.

Mobile banking offers facilities like

- money transfer,
- cash payments,
- funds transfer,
- mobile / utility bill payments,
- recharge of prepaid mobile / DTH / Broadband
- mobile top ups,
- account information, etc.

These services are available at finger tips, beyond regular banking hours.

The banks IT roadmap clearly focuses on the cross-selling and up-selling of different products and services by banks as one-stop financial mall for the customers.

4.2 Add-on Products and Services

With the progress in information technology and communication infrastructure, banks in India offer variety of technology based add-on products and services such as debit card, credit card, prepaid card, ATM card, phone banking, etc. Smart card, debit card, ATM card, credit card, prepaid cards, etc. have simplified cash withdrawals and shopping (on-line as well as off-line), etc. Plastic cards are accepted for payment at hotels, restaurants, shops, petrol pumps, etc. Prepaid cards can be used for a variety of purposes such as travel abroad, gifting, employee payments, meal allowance, etc.

Core banking system has helped banks to provide many value added services to customers. New depository services, life insurance products through the bancassurance model, non life insurance products (health insurance, motor insurance, travel insurance, home insurance), cash management services, mutual fund products, etc. are available to customers. These can be availed from the alternate channels as well.

Using advanced technology, banks offer customers enhanced services such as on-line funds transfer, multi city cheques, auto sweep, statement through email, express remittance, etc. Payments of bills (electricity, telephone, etc.) and other utility payments and insurance (life and non life) premiums can be made electronically.

In rural areas RFID technology and smart cards are used for opening bank accounts. Farmers are provided with Kisan Credit Cards (KCC) and General Purpose Credit Cards (GCC).

4.3 Challenges faced by Banks in Multiple Delivery Models

While banks have succeeded in leveraging available technology and provide alternate avenues to customers for banking services, the challenge it faces today is optimizing the usage of these channels. While ATMs are becoming popular among customers for cash withdrawal, the other channels viz., internet banking, mobile banking, etc. are less popular.

The alternate channels have greatly reduced the transaction costs for the banks. But banks can realize the full benefit of the roll out of alternate channels only if there is a perceptible increase in the usage by customers. It is imperative therefore that banks take steps to regulate the customers to move to the new modes of banking so as to cross the minimum critical mass.

Customer education plays an important role to induce customers to use ATMs, e-banking, mobile banking, etc. They should remove the fear of cyber frauds from the minds of customers by educating them on proper use of the technology. They should

appraise the customers the steps taken by them for securing the systems. They should also constantly educate the customers on safe keeping of the plastic cards, securing user id and password, periodically changing the passwords, not sharing the passwords with any one, known or unknown, etc.

Banks should train their staff on new channels, products and services and make them fully conversant with the new technology based banking products and services. They should make all staff to use them so that they in turn can market / cross sell these products better and educate the customers on the use of new devices, products and services.

Banks must realize that giving a hand up to the customers on technology products, rather than handouts will help their business strategy and provide opportunities to optimize these services.

Many consumers are apprehensive of using their credit and debit cards over the internet because of the perceived risk of frauds. They do not shop online because they do not trust online payment systems. Banks would need to address these issues effectively if they have to remain customer centric.

5. Conclusion

Indian Banks have leveraged technology and introduced innovative banking products and services to attract and retain customers. Several variants of traditional products have been introduced to cater to different strata of customers. While ATMs have become popular among the customers for cash withdrawals, other services like mobile banking and internet banking are sub-optimally used. Even in ATM customers are not using the full range of services available in ATMs.

Customer footprints in bank branches continue to be fairly high especially in public sector banks. It is evident that merely rolling out products and services are not sufficient. Customers have to be educated on how to use them in a safe and secure manner.

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