International Research Journal of Human Resource and Social Sciences
ISSN(O): (2349-4085) ISSN(P): (2394-4218)
Impact Factor 5.414 Volume 7, Issue 08, August 2020
Website- www.aarf.asia, Email : editoraarf@gmail.com

# Study of Impact of Modern Technology on the Satisfaction of Customers of Public Sector Banks

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## Abstract :

Banks have become an integral part of economic life in every field. The growth and development of any economy largely depends on the performance of the financial institutions of that country. A sound banking system is one which mobilizes the savings from the public and makes them available for various investment purposes. Banks are offering many banking services through online mode and mobile apps. Some customers are happy with these online services but some are not. So, this study aims at studying impact of modern technology on the satisfaction of customers of public sector banks.

## Introduction :

The blending of information and communication technologies in the banking workplace has created a major shift in the way of conducting banking transactions. The banking sector in India has undergone drastic changes by the application of information and communication technologies in the workplace. Information technology sets new business standards and is increasingly playing a predominant role in the growth and development of banking system in our country. The application of internet and wireless technologies brought a paradigm shift in the banking workplace from brick and mortar system to click and portal banks. The entry of new generation banks and foreign banks has changed the face of the entire banking system in India. The advent of internet has modified the way organizations communicate, how they share information with business partners, and how they buy and sell With the penetration of the use of personal computers, internet service and World Wide Web (WWW), the commercial banks began using internet as a distribution channel for delivering their high value added products and services to their customers. Internet banking refers to the practice of conducting financial transactions of customers over the internet through a bank’s website.

Nowadays, internet banking is gaining more popularity because of its 24 hour accessibility and low transaction costs. Internet banking enables banks to provide low cost and value added products and services to their customers without any geographical limitations. Internet banking provides a competitive advantage to banks by giving them an unlimited distribution network. For the purpose, banks have expanded the scope of competition to an electronic environment with internet banking.

Customers are using different kinds of banking services ranging from bill payment to making investments. The adoption of technology by the banking industry in many countries around the world has been at a very high level, the process has been slow in India over the last several years.

However, the emergence of new private-sector banks in the country has changed the scenario drastically, as the business model of these new banks revolved around a strong IT backbone. Their emergence and success over the last decade has put competitive pressure on many of the state-owned banks to look at IT as a strategic necessity to remain competitive.

## Modern Technology

Ever since the 18th century, the banking sector has been evolving, and it is known as one of the oldest businesses in the world. It has progressed and grown with every passing year. Although in the recent years, the industry has transformed with the help of technology. **Banks** were always regarded as a place with long queues, and an unmanageable amount of paper work. Due to technological advancements in the banking sector, the need of labour and papers has reduced a lot.1

Ways in which Technology is making the Banking Industry More Efficient

### 1. The World at your Fingertips

A lot of people will be able to relate to this, because in some way or the other, all of us are being effected by technology. From ordering food or shopping for clothes, everything is only a tap away. You also do not have the need to carry cash in hand, you can just make a digital payment from your E-Wallet. Similarly, through **net banking**, one is allowed to transfer money from one account to another, order for cheque books, check the balance, make payments, create Fixed Deposits, and so on.

### 2. Less Errors and Better Data Protection

In the olden days when banking was completely dependent on the human accuracy and skill, mistakes and errors were more apparent. As human capabilities have a limit, they are prone to skip certain things or make calculation errors. With the introduction of computers, the frequency of errors has reduced to almost nil. Also, another important perspective to this, is that it can protect the data much

[1] https://www.yesbank.in/life-matters/how-technology-has-changed-the-face-of-banking-industry

more efficiently. Today's technology provides complete security of your transactions and safety of your data that there are very rare occasions on which the data is misused.

**3. Better Customer Experience**

The ancient system of banking was extremely tiring and lengthy that resulted in poor customer experiences. This was because one had to stand in long queues, file a lot of papers and be physically present. The advent of net banking and mobile banking has reduced the time you spend for banking related tasks and has also ensured hassle-free customer service even from a remote location.

**4. Business Intelligence to Drive Profitability**

RBI has encouraged all the Indian Banks to adapt Business Intelligence (BI) to increase the overall profitability in the industry. Business intelligence system provides data for historical, current and future trends. This data aids the banks in a way that they are able to take accurate decisions and thereby can bring an overall increase in the productivity, efficiency and profitability.

## Public Sector Bank

The banking structure of India is headed by the RBI and comprises commercial and cooperative banks. Commercial banks include Scheduled Commercial Banks (SCBs) and non-scheduled commercial banks. SCBs, in turn, are divided into private, public, and foreign banks as well as Regional Rural Banks (RRBs), whereas co-operative banks comprise urban and rural lenders.

Public Sector Banks (PSBs) are an important type of government-owned bank in India. A majority stake (> 50%) is held by the Ministry of Finance of the Government of India or State Ministries of Finance of different State Governments. In India, public sector banks play a dominant role in extending loans and collecting deposits, although over the years competition has substantially increased due to the emergence of the private sector and foreign banks.

### GROWTH OPPORTUNITIES[2]

- **OPPORTUNITIES IN MOBILE BANKING-** Mobile banking transaction volume and value increased y/y in FY2021 by 83% and 59%. Banks have ramped up their efforts to expand their footprints in this platform since the trend is likely to continue even after the pandemic.

[2] https://www.investindia.gov.in/team-india-blogs/public-sector-banks-psbs-return-titans

- **ADOPTING THE FINTECH TREND -** In 2025, the fintech market in India is expected to grow to $ 84bn from its current value of $31bn. In terms of transaction value size, the fintech market is expected to grow to $ 138bn in 2023. These forecasts are backed up by the rising prominence of the fintech market plus its potential given the untapped population in India and the expected rise of both the middle- and high-income segments.
- **KEY GOVT INITIATIVES-** National Asset Reconstruction Company Limited (NARCL) which was recently announced by Nirmala Sitaraman will acquire stressed assets worth about Rs 2 lakh crore from various commercial banks in different phases. This is beneficial for every commercial bank as it will help them to clear off toxic assets in their books, which will help in enhancing profits, and also enhance revenue sources (in case there is a recovery of the bad asset). This will help banks to enhance and increase credit lendings.

**GROWTH DRIVERS**

- As per reports, only 2 out of 21 PSB were profitable in 2018, but in 2021, only 2 banks showed losses. Certain key reasons which have been specified is the recapitalization of PSBs and merger of small PSBs to larger ones. Mergers of public sector banks aided in reducing operation costs for the banks. The government's decision to consolidate public sector banks, which came into effect on April 1, 2020, created fewer but larger banks with more financial strength, better international competitiveness and an ability to support larger lending volumes.
- The banking sector continues to receive government support through various initiatives to promote financial inclusion in the country. For instance, the Pradhan Mantri Jan Dhan Yojana, launched in 2014 as one of the flagship programmes under the financial inclusion agenda, has seen continuous progress across various metrics such as the number of account openings, the number of operating accounts out of total accounts opened, total and average deposits, and issuance of Rupay debit cards.
- Increased Demand for infrastructural investment- The power industry followed by the road sector are the main users of bank credit. India's power generation sources range from conventional sources such as coal, lignite, natural gas, oil, and nuclear to viable unconventional sources such as wind, solar, agricultural and household waste and hydropower. The demand for electricity in the country has increased rapidly and is expected to increase further in the coming years.

- Growth in Non-Banking Finance Corporations (NBFC) sector to support demand for credit - Among services, the NBFC sector hinges on bank credit for its functioning. Since NBFCs do not have the traditional routes of sourcing funds for disbursing credit, they raise almost all of the funding requirements from banks for on-lending. As a result, NBFCs remain an important demand driver for banks to lend to.

## Measurement of service quality, Customer satisfaction, and Customer loyalty

The service quality means the customers' judgment of overall service offered by the service provider. It can be defined as the gap between customer expectations and actual service perceived. In simple words, the service quality is the difference between expectations and perceptions of the customers. the service quality means the difference between customer expectations and perceptions about the service provided. It was the first study to conceptualize service quality from the view point of the customers.

According to Parasuraman et al., 198889, service quality is measured with 22 items categorized in to five dimensions such as reliability, tangibility, responsiveness, assurance and empathy. On the other hand, SERVPERF is another important model recommended by Cronin and Taylor in 199290. The author opined that service quality is a predecessor towards consumer satisfaction. In the words of "Caro and Garcia" (2007)91, the measurement of service quality consider only the perceptions of the customers.

Based on extensive literature reviews the following important variables were identified. These are as follows.

- Reliability
- Efficiency
- Responsiveness
- Fulfillment
- Privacy/security
- Website design

**Reliability :** The reliability dimension of service quality is concerned with the technical aspects of the websites. In other words, the information provided in the website is accurate.

**Efficiency** : The efficiency dimension of the service quality indicates the ability of a customer to get a website, and easy to find the product and services through the website.

**Responsiveness** : The responsiveness of the bank indicates the willingness to help customers in the form of solving their complaints or queries.

**Fulfillment** : The fulfillment dimension of the service quality is associated with accuracy and promptness in the delivery of products and services to the customers..

**Privacy/security** : The privacy/security aspect of service quality indicates the safe use of internet banking and keeping the customers' information highly confidential.

**Website design** : The website dimension of service quality indicates the attractiveness of the website including the provision of customized search functions, easy access etc.

## Customer Satisfaction

Kotler (2000) defined satisfaction as "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". In the perspective of internet banking, customer satisfaction indicates electronic customer satisfaction. According to Anderson and Srinivasan (2003) "E-customer satisfaction refers to the contentment of the customer with respect to his/her prior purchasing experience with a given electronic firm. Cronin and Taylor (1992) argued that service quality is an antecedent of consumer satisfaction. The higher the perceived service quality, indicates the higher the customer satisfaction and vice versa.

### Measurement of customer satisfaction

The current study measured customer satisfaction by using a three- item scale developed by Cronin et al., (2000). Response categories were on a five-point Likert scale ranging from "strongly disagree' to 'strongly agree'. These items include,

My choice to avail this bank service is a wise one

I did the right thing when I choose this bank for its services.

Services of this bank are exactly same as what I need

### Customer loyalty

Customer loyalty means the commitment of the customer to repurchase or repatronize a favourite product or service consistently in the future. It can be defined as repeat purchasing and referral of a company to other customers (Heskett, Sasser and Schlesinger, 1997), generating positive and measurable financial results (Duffy 2003) .

**Measurement of customer loyalty**

Customer loyalty was measured using a five item scale developed by Parasuraman et al., in 1996. These items are rated in five-point Likert scales varying from "strongly disagree" to "strongly agree". The items are; I say positive things about this bank to other people, I recommend this bank to others, I encourage friends and relatives to do business with this bank, I consider this bank my first choice to avail banking services and I will do more business with this bank in next few years.

## Literature Review

Amin, (2009) conducted a study titled "An analysis of online banking usage intentions: an extension of the technology acceptance model". The study followed Technology Acceptance Model (TAM) as the base model to examine the internet banking acceptance towards banks customers. The study showed those factors like, perceived usefulness, perceived ease of use, perceived credibility and social norm creates positive impact on customer adoption of internet banking services while perceived enjoyment was proved to be statistically insignificant. The study suggested that, the results were helpful to the banks in order to frame suitable policies and standards for online banking.

Gupta & Bansal, (2012) in their study developed a valid instrument for measuring the service quality of internet banking in India. The study also examined the impact of service quality dimensions on overall internet banking service quality and customer satisfaction. Based on the results of factor analysis five important variables were identified which include reliability, security/privacy, efficiency, responsiveness and site aesthetics. The confirmatory factor analysis technique was used to validate the discovered variables. The analysis of the primary data showed that all the variables have significant impact on overall internet banking service quality as well as customer satisfaction. Even though, security/privacy and efficiency aspects carry a strong impact on the overall internet banking service quality and customer satisfaction respectively.

## Conclusion

Technology along with Internet plays a key role in transforming banking services in to electronic form. Nowadays, modern technologies are extensively used in the service industries and internet banking is a well-known example. In India, technology in banking was first introduced by ICICI bank, a new private sector bank in the year 1998. Following this, a large number of banks initiated modern banking service as a vehicle for delivering their products and services to the customers without any geographical restrictions. The advent of modern technology has made a revolutionary change in the banking sector in our economy. Banking technology enables the customers to perform most of the banking services by sitting at their office or home through personal computer, laptop or mobile phone. The most highlighted features of technology banking is that it is echo-friendly due to paperless transactions and it also reduce pollution as people do not have to travel physically to the bank.

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