



## **A CRITICAL STUDY OF TRENDS IN E-BANKING WITH SPECIAL REFERENCES TO SELECTED PUBLIC AND PRIVATE SECTOR BANKS**

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### **ABSTRACT**

IT revolution has converted the world into a global village by created enormous job opportunities around the globe and made the organizations efficient and IT has touched every sphere but most importantly banking sector. In countries like USA and India many organizations have opted IT to transform their process like E-governance and offering single window solutions to customers. In pre-1991, Indian banking system was suffering from many latent & patent defects but after commencement of IT act 1999 banking sector again got its pace back but unfortunately the major area i.e. public sector banks still lagging behind in many aspects vis-à-vis private sector and the gap between both is still recurring one. The present study investigates the perceptions of e-banking customers & employees and based on these perceptions, some suggestions are made for the survival of public sector banks and to provide an opportunity for research scholars, students etc to go through for further detailed studies in this area. Modern technology has filled the lacunas in the society and its efficient, cheaper and time saving also. Many new services, products offered by banks are now IT centered like ATM's, M-banking, credit-cards etc. to provide better customer services.

**Keywords – EFT, MICROBANKING, ONLINE PROCESSING, RTGS, SMARTCARD.**

### **1. INTRODUCTION**

In the present era of revolution in information technology, the economic setup of every country has witnessed tremendous changes in their respective working. The banking sector too has not remained untouched and unaffected by these changes. It has introduced several new processes, as E-banking and innovated its day-to-day functioning.

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Today's banking is virtual or innovative banking which denotes the provision of banking and other related services through the extensive use of Information Technology (IT), without direct resource to the bank by customers. The salient features of Innovative Banking are overwhelming reliance on IT and the absence of physical bank branches to deliver banking services to the customer

## 1.1 E-Banking

E-Banking refers to performing basic banking transactions by customers round the clock globally through Electronic Media. In other words, E-Banking is the application of IT infrastructure with latest equipment and solutions and integrated networks essentially to facilitate smooth and efficient payment and settlement, improved customer service and the resultant increase in profitability.

Modern banking is more information based, speedy and boundary less due to the impact of Electronic Revolution. Modern banks have to be well-versed in Information Technology - its uses and applications. Banking divisions have to be IT based, with the spread of digital technology. E-banking is more of a science than an art. E-banking is knowledge based and mostly scientific in using electronic devices of the computer revolution. When most business and commerce enterprises tend to become internetworking organizations, banking has to be E-banking in the new century.

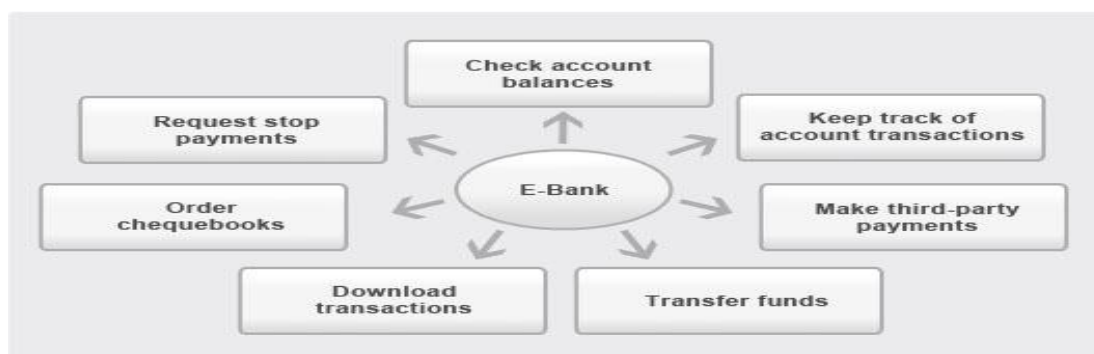


FIGURE:1

## 1.2 Aspects of E-Banking

E-Banking means the conduct of banking operations electronically. It calls for elimination of paper based transactions and radical change in the banking operations. E-banking will operate through internet, extranet and intranet. E-banking is, therefore, banking on the information super high ways on the frontier of the internet. E-banking must have the following dimensions

- Easy access to customers
- Interbank transactions
- Electronic central banking
- Intranet procurement

## 1.3 Objectives of the study

- ✓ To study and analyze Growth, Trends & Emerging Issues of E-Banking services in India.
- ✓ To determine Customer Perception & Employee Perception of selected Public Sector Banks & Private Sector Banks towards E-Banking services.
- ✓ To examine the Productivity of selected Public Sector Banks & Private Sector Banks which are providing E-Banking services.
- ✓ To assess the Profitability of selected Public Sector Banks & Private Sector Banks which are providing E-Banking services.
- ✓ To Calculate the Co-efficient & Correlation between Productivity, Profitability & Customer Satisfaction.
- ✓ To prepare a model which contains Micro Economic Variable to enhance the customer satisfaction of E-Banking services
- ✓ To determine usage and reasons for preferring e-banking services.
- ✓ To have an insight into the attitudes and behaviors of customers.
- ✓ Studying the psychological aspects of Indian customers which stop them from shifting towards internet banking.
- ✓ Suggesting ways for making E-Banking in India successful.

## **2. REVIEW OF BYGONE STUDIES**

[1] (Moon and Kim, 2001). This implies that perceived ease of use is expected to have a positive influence on users in their interaction with internet banking systems. Therefore the more the consumer perceives internet banking as easy to use, the more he or she is likely to adopt it. As of November 2004, a total of 53 million Americans (44% of all U.S. Internet users) use some form of online banking service.[2] Mukherjee and Nath [2003] found that communication had a moderate influence on trust, while opportunistic behavior had a significant negative effect and trust in general led to a higher level of commitment in online banking. Information sharing and distrust in the Internet were identified as the two major drawbacks for Thai Internet banking adoption by Rotchanakitumnuai and Speece [2004]. Based on a survey amongst Finnish banking customers.[3] Kozak, S. (2005) in his article entitled "the role of information technology in the profit and cost efficiency improvements of the banking sector" he examines the impact of the progress in IT on the profit and cost efficiencies of the US banking sector during the period of 1992-2003. The research shows a positive correlation between the levels of implemented IT and both profitability and cost savings.[4] Nyangosi et al. (2009) collected customers' opinions regarding the importance of e-Banking and the adoption levels of different e-Banking technologies in India and Kenya. The study highlighted the trends of e-banking indicators in both countries. The overall result indicates that customers in both countries have developed a positive attitude and they give much importance to the emergence of e-banking [McGann 2005]. In Germany the number of online accounts has increased almost tenfold between 1999 and 2004, with 40% of all accounts now being online [Association of German Banks 2004].

## **3. RESEARCH METHODOLOGY**

The following are the research method used by the researcher :

1. Research Design: Descriptive Research.
2. Sources of Data:
  - Primary Data- Various banks respondents using e-banking services & the information about the selected bank is gathered from the discussion with the employees of bank. For data collection, observation and interview method is used. Interview of manager can be conducted to get information.
  - Secondary Data- (Published Data) The secondary data was collected from summary reports, e-mails, circulars, books, notifications of RBI and an annual report of the bank.
3. Population: E-Banking users of selected Public and Private Sector Banks.

4. **Sampling:** Sampling may be defined as selection of some part of an aggregate or totality on the basis of which a judgment or interface about the aggregate or totality is made.

- **Sampling Design:** A Sampling design is a definite plan for obtaining a sample given Population. There is different method of the sampling. Here Random & Stratified sampling technique has been used.
- **Sample size:** This refers to the number of the items to be selected from the universe to constitute a sample. There are 300 + 300 sample respondent are taken as a sample size who are using traditional & internet banking.
- **Sampling Frame:** For study sampling frame includes internet banking users like businessman, professionals, and salaried person etc.
- **Data collection instruments:** A data is collected with structured questionnaire will use with mix open ended and closed ended questions

#### 4. FINDINGS OF THE STUDY

A sample of 200 respondents has been drawn from the various socio-economic strata, at different designation and having different educational qualification and belongs to different age groups on the line of convenience sampling. Four banks have been chosen for the study, two of these banks are public sector banks namely State Bank of India and Punjab National Bank and two are private sector banks namely ICICI and HDFC Bank as follow

Name of the banks	No of respondents
SBI	50
PNB	50
ICICI	50
HDFC	50
Total Sample Size	200

Primary data have been collected from a sample of 200 respondents, chosen by convenient sampling method. In order to collect the necessary data the researcher visited personally to the respondents. The questionnaire was included four variables which determine the satisfaction of

the customers of selected banks regarding E-Banking services. The five points and their respective score values in the scale are given as under.

<b>Points of Scale</b>	<b>Assigned Score</b>
Very Satisfied	5
Satisfied	4
Neither Satisfied Nor dissatisfied	3
Dissatisfied	2
Very Dissatisfied	1

The dimensions selected for measuring customers' satisfaction have been selected as ATM cards, fund transfer, mobile banking, and net banking.

The techniques selected are percentage, mean, standard deviation and combined mean.

Variables	Public Sector Banks				Private Sector Banks			
	SBI		PNB		HDFC		ICICI	
	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.
ATM Cards	3.83	1.01	4.45	0.49	3.48	1.08	4.02	0.71
Fund Transfer	3.90	0.88	4.06	0.95	3.51	1.00	4.00	0.71
Mobile Banking	4.20	0.86	4.31	0.66	3.71	0.96	4.15	0.46

Net	4.21	0.71	3.85	1.35	3.72	0.96	4.44	0.49
Banking								
Combined	4.04	0.91	4.18	0.84	3.19	1.07	2.93	0.65
Mean								

**TABLE: 1**

**Combined mean has been calculated as follows**

$$\begin{aligned}
 &= (3.83N_1 + 3.90N_2 + 4.20N_3 + 4.21N_4) \div (N_1 + N_2 + N_3 + N_4) \\
 &= (3.83 * 50 + 3.90 * 50 + 4.20 * 50 + 4.21 * 50) \div (200) \\
 &= (191.50 + 195.00 + 210.00 + 210.50) \div (200) \\
 &= 807 \div 200 \\
 &= 4.035
 \end{aligned}$$

The analysis of above table indicates that the PNB provides the highest satisfaction to its customers as the combined mean score of different variables which determine the satisfaction of customers on the basis of banking services which is determined by the combined mean which is 4.18. The mean score of the PNB lies in between satisfied or very satisfied. The views expressed by the customers of the PNB are consistent as the SD is insignificant 0.84. In case of SBI the satisfaction of the customer lies in between satisfied and very satisfied as the mean score if 4.04 and the views expressed by the customers is consistent as the score of SD is insignificant 0.91. In case of private sector banks the satisfaction of the customers of HDFC bank is in between neither satisfied nor dissatisfied and satisfied and the mean score of ICICI Bank is in between neither satisfied nor dissatisfied and dissatisfied as the mean score is 2.93 however the score of SD of the HDFC show some inconsistent views of the customers, SD is 1.07 for the HDFC bank. ATM cards and mobile banking service are the highly contributed factors towards the satisfaction of customers in SBI and [PNB](#). Net banking and mobile banking services are the highly contributed factors towards the satisfaction of the customers of ICICI and HDFC banks.

## 5. CONCLUSION

The e-banking revolution has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. In India also, it has strongly impacted the strategic business considerations for banks (including the PSBs) by significantly cutting down costs of delivery and transactions. It must be noted, however, that while e-banking provides many benefits

to customers and banks, it also aggravates traditional banking risks. Compared to developed countries, developing countries face many impediments that affect the successful implementation of e-banking initiatives. In this study, we have identified some such impediments in the Indian context and have suggested ways to overcome them in order to move forward with the wave of e-banking successfully. In India there is a major risk of the emergence of a digital divide as the poor are excluded from the internet and so from the financial system.

However, there are ways to overcome these obstacles and exploit trends in e-banking to derive the desired benefits. As regards the problem of a digital divide, there is a rich international experience from which India can learn many lessons and include the poor within the net of e-banking.

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