



A SYUDY ON E-BANKING SEVICES OFFERED BY PUBLIC AND PRIVATE SECTOR BANKS IN TAMIL NADU

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ABSTRACT

The purpose of carrying out this research is to compare public and private sector banks of India by evaluating their customer satisfaction. This research is mainly based on primary data which has been collected through a well-structured questionnaire. The questionnaire has been distributed to 376 different respondents of different Public and Private sector Banks. This paper makes a useful contribution as there are very low number of studies has been conducted in Tamil Nadu(India) on such areas like price, technology, reliability, customer service, location and infrastructure. This research shows that customer satisfaction varies from person to person ,therefore the, bank managers need to conduct more researches in order to evaluate customer satisfaction more effectively.

Keywords: *Customer satisfaction, E-banking services, Technology.*

INTRODUCTION

E-banking is the term used for new age banking system. E- banking is also called as online banking and it is an outgrowth of PC banking. E- banking uses the internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits. E-banking is a result of explored possibility to use internet application in one of the various domains of commerce. It is difficult to infer whether

the internet tool has been applied for convenience of bankers or for the customers' convenience. But ultimately it contributes in increasing the efficiency of the banking operation as well providing more convenience to customers. Without even interacting with the bankers, customers transact from one corner of the country to another corner.

There are many advantages of online Banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a minuscule cost (IAMAI's, 2006). Electronic banking has experienced explosive growth and has transformed traditional practices in banking (Gonzalez et al., 2008).

Private Banks in India were the first to implement e- banking services in the banking industry. Private Banks, due to late entry into the industry, understood that the establishing network in remote corners of the country is a very difficult task. It was clear to them that the only way to stay connected to the customers at any place and at anytime is through internet applications. They took the internet applications as a weapon of competitive advantage to corner the great monoliths like State Bank of India, Indian Bank etc. Private Banks are pioneer in India to explore the versatility of internet applications in delivering services to customers.

An in-depth analysis would help to understand that internet enabled electronic bank system differentiates from traditional banking operation through faster delivery of information from the customer and service provider. Additionally, it has to be noted that the banking operations does not transfer physical currencies instead it transfer the information about the value for currencies. E-banks enable transfer of information more swiftly on-line. In service organizations like banks, information flows more than physical items. In the commercial world, especially in most advanced societies today, money is rather carried in information storage medium such as cheques, credit cards and electronic means that in its pure cash form. According to Christopher et al (2006), E banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable in successful.

Customers have started perceiving the services of bank through internet as a prime attractive feature than any other prime product features of the bank. Customers have started evaluating the banks based on the convenience and comforts it provides to them. Bankers have started developing various product features and services using internet applications.

Customer satisfaction is a measure of how products and services provide by any organization meet the expectations of a customer. It varies from person to person and service to

service. A customer can be defined as a user or potential user of banking services. A customer would include an account holder, or a person carrying out casual business transactions with a bank. The efficiency of a banking sector depends upon how best it can deliver services to its target customers. In order to survive in this competitive environment and provide continual customer satisfaction, the banking services providers are required to frequently increase the quality of services. In banking business it is seen that only 10% increase in customer retention can extend 50% profitability. In this connection, an attempt is made to verify the level of Account Holders' satisfaction towards E-banking services offered by selective Public and Private sectors Banks in India. The findings of the study have been discussed here.

STUDIES ON E-BANKING SERVICES

Private sector Banks seem to have satisfied its customers with good services and they have been successful in retaining their customers by providing better facilities than Public sector Banks. But, still Private Banks need to go a long way to become customer's first preference. In an economy of innovative technologies and changing markets, each and every service quality variable has become important. New financial products and services have to be continuously introduced in order to stay competent and Private Banks need to concentrate more on their credit facilities and insurance services since customers do not have a very good opinion about these facilities being offered by Private Banks also Public sector banks enjoy the trust of the customers, which they have been leveraging to stay in the race however they need to improve their service Quality by improving their physical facility, infrastructure and giving proper soft skill trainings to their employee **(Puja and Ahuja,2010)**.

In the banking sector it is necessary to increased adoption of technology to better meet customer requirements, improve efficiencies, reduce costs and ensure customer delight and it was the private sector and foreign banks which established the technological revolution in Indian banking and considering the fact that in the new economy, mind share leads to market share and mind share is influenced not only by the promotions and advertisements but more importantly on favorable customer perception which in turn is based on satisfaction with regard to products, services and interaction **(B. K. Tiwary,2011)**.

The private sector banks are providing more satisfied ATM services then public sector banks and the customer perception about Productivity, Security and Sensitivity, Cost Efficiency, Problem Handling, Compensation and Contact services related to ATM service is very less in both the public sector and privates sector banks, Therefore both kinds of banks should be aware about

these facets of ATM service to improve customers' satisfaction (**Vijay M. Kumbhar,2011**). Quality expectation and the valuation of services received are slightly more in the private sector banks as compared with the public sector banks. The effects for tactic since sectorial differentiation become very blurry as a result of increasing correspondence between services and struggle from linked and additional industries (**Peter and Vassilis,1997**).

Private bank customers are more satisfied with the services than public sector banks. Managers in the banking sector undertake significant efforts to conduct customer satisfaction surveys and it is appears that customers are saying that they expect good products and quality to their banks and that may the only thing important to them (**Muhammad Naveed,2009**).

Satisfaction rate in customers of private banks is much higher than public sector banks and people will continue the mortgage with private banks then public because they're Some publicly owned banks are scoring well among customers but overall analysis shows that impressed by the level of honesty of private banks (**Colin Beasty,2005**).

After the privatizations of state-owned banks, their performances in comparison with other banking groups have increased by 95%. The performance of private banks after privatization of state banks had significant reduces and this reduction indicates that the share of the market of newly privatized state-owned banks increased. Although the performance of privatized state banks after privatization has increased significantly (**Mohamed Khodaei et, al,2012**).

The economic reforms and the entry of private players have cause nationalized banks to revamp their services and product portfolios to incorporate new, innovative customer-centric schemes. Nowadays, due to the rise in competition, customer satisfaction is considered to be the most important thing in retail services but there is no noteworthy difference in customer satisfaction of public sector and the private sector banks.

Cheque deposits and cheque clearing are most common services used by customers, the charges levied by the bank on these services are higher in private and foreign banks then in nationalized banks. Their study also shows that the customers of public banks were not much satisfied with the behavior of employee and infrastructure, while customers of private and foreign banks were not much satisfied with high charges, approachability and communication. They have also suggested that training on stress management and public dealing should be imparted to the employees of nationalized banks and nationalized banks need to improve their infrastructure and ambience to compete with private and foreign banks in India (**Surabhiet and Renu,2011**).

Good sites and suitable site of the branch are essential for bank branches for smooth operation of banking business. When the private banks were compared with public banks, all the private banks have excellent locations from business point of view compared to public banks in

India and for providing better service to customers proper training should be given to the staff by the banks also public sector banks should invest and concentrate more on staff development where as private sector gives more priority on infrastructural aspects. The rigid policy of public banks creates more dissatisfaction among the customers while for private banks mostly the value of service is the key factor of satisfaction (**Uma et, al,2011**).

First dimension of customer satisfaction for nationalized banks is Service Orientation but, for private banks Service orientation appeared as second dimension and they focuses more on customer satisfaction and nationalized banks give more importance to Flexibility in Use of Services, Vision and Competency. Also customers of nationalized banks had not been given much importance by the executives. On the other hand customers of private banks had been offered these services right from the beginning therefore, customers of private banks more satisfied. The consumers of nationalized banks are more satisfied with service quality, than private banks and its required to ascertain the key success aspects in the industry, in terms of satisfaction of customers by keeping in view the growing market size and the strong competition (**Pooja Mengi,2009**).

The Private Banks came to existence within the last ten years with the objective of to limit the government intervention in banks and from since then they try hard to obtain customer satisfaction even after a short period of existence. According to a survey the result shows that private sector banks are more popular to obtain customer satisfaction than the public sector banks (**Farzad Asgarian,2009**). Satisfaction of customers is the most important forecaster of service quality of banking sector. Management of banks should confirm that the banking atmosphere should focus on quick and fair services to their customers. Public sector banks are contributing more credit facility to fishermen and farmers than private banks and the State Government announcement of giving the agricultural loan has given more satisfaction to the consumers of public bank (**Senthil kumar et, al,2011**).

The effort towards ease of banking and accessibility is preferred by the customer who is more seen in private banks then public and customer care and customer retention programs should take into consideration by public banks. In Kuwait Muslim customers are satisfied more with accessibility of ATM machines in multiple locations, funds safety, ease to use ATM machines and service quality provided, but the worse element which has been noticed in this study was that the interest rate on loans, which was the indicator of that the most of customer in Kuwait give more intention to loans (**Khaled and Abdulrasoul et.al,2008**). Service quality is an important feature of customer satisfaction in Indian banking industry irrespective of public sector and the private

sector banks and Customer satisfaction is found to be strongly associated with propensity to recommend (**Monica Bedi,2010**)

Online banking refers to the automated delivery of banking products and services directly to customers through electronic communication channels, most notably the Internet. Online banking is also called E-banking or PC banking. (**Pikkarainen, et.al, 2004**) define Internet banking as an 'Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments'. According to **Ankrah (2012)**, E-Banking comes in the form of Internet banking, Telephone banking and other electronic delivery channel like On-line Virtual Terminals. Internet banking may be explained as banking through the World Wide Web. Internet banking gives customers access to almost any type of banking transactions at the click of a mouse. The use of the Internet as a new alternative channel for the distribution of financial services has become a competitive necessity instead of just a way to achieve competitive advantage with the advent of globalization and fierce competition (**Flavian, Torres, & Guinaliu, 2004; Gan, Clemes, Weng, 2006**). Currently, internet banking has emerged as a major banking channel. Most of the large and medium banks now offer internet banking and funds transfer facilities. While the large banks have specific infrastructure to handle large value transactions, even the small banks operate through shared resources. The positive fact is that most of the electronic transactions are through STP (straight through processing) in the larger banks. This trend will result in enhanced service delivery and quick settlement. Banks are offering several value-added services through their electronic channels such as tax collections, trading, bill payments, and viewing accounts, etc. Certain services such as prepaid mobile recharge have become extremely popular among consumers.

Pairot (2008) defined Customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. However, customers have different levels of satisfaction as they have different attitudes and experiences as perceived from the company. Customer's satisfaction is affected by the importance placed by the customers on each of the attitudes of the product/service. Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience. The user satisfaction can be seen as the sum of the user's feeling and attitudes toward several factors that affect the usage situation (**Bailey et al., 1983**). A study by **Ibrahim et al (2006)**, revealed six composite dimensions of electronic service quality, is including the provision of convenient/accurate electronic banking operations; the accessibility and reliability of service provision; good queue management; service personalization; the provision of friendly and responsive customer service; and the provision of targeted customer

service. Perceived usefulness, security and privacy are the most influencing factors to accept online banking.

OBJECTIVES OF THE STUDY

- ✚ To study the various attributes of E-banking.
- ✚ To find out the Account holders' satisfaction towards E-banking services offered by Public and Private Sector banks in Tamil Nadu.
- ✚ To compare the Public sector and Private sector banks account holders' satisfaction level towards E-banking services.

METHODOLOGY

An exploratory research design is adopted to accomplish the objective of the research. For this purpose a self-designed questionnaire has been circulated to 500 account holders of Public and Private sector banks situated in different cities of Tamil Nadu. This questionnaire consists of two different parts. The first part is showing respondents personal data such as gender, bank type, and age, the second part asked respondent to rate their satisfaction level to their bank from “strongly agree” to “strongly disagree” on such variables which lead to build strong relationship with customers such as prices, reliability, technology, customer service, location and infrastructure etc. This questionnaire was given to 500 different respondents out of which 376 questionnaires were returned. Of the filled in questionnaires 195 questionnaires belong to the account holders of Public Sector Banks and remaining (181) represents the respondents of Private Sector Banks' account holders.

The study employs primary data as well as secondary data. Secondary data were collected from different published sources. Primary data were collected through questionnaire. The survey was created online and link sent to the respondents from Tamil Nadu using convenience sampling. The respondents were approached through e-mail.

In the questionnaire, various internet banking applications were included from previous research. Later, structured questionnaire containing 32 items was developed (18 for general perception and 15 for internet banking features) for the purpose of data collection. All items were measured by responses on a five-point Likert scale in agreement with statements, ranging from 1= Strongly Disagree to 5= Strongly Agree. The analysis of primary data was carried out using Statistical Package for the Social Sciences (SPSS).

Sample Profile

Fig.1. Gender wise distribution of the respondents

From the total respondents 72% are male and 28% are female.

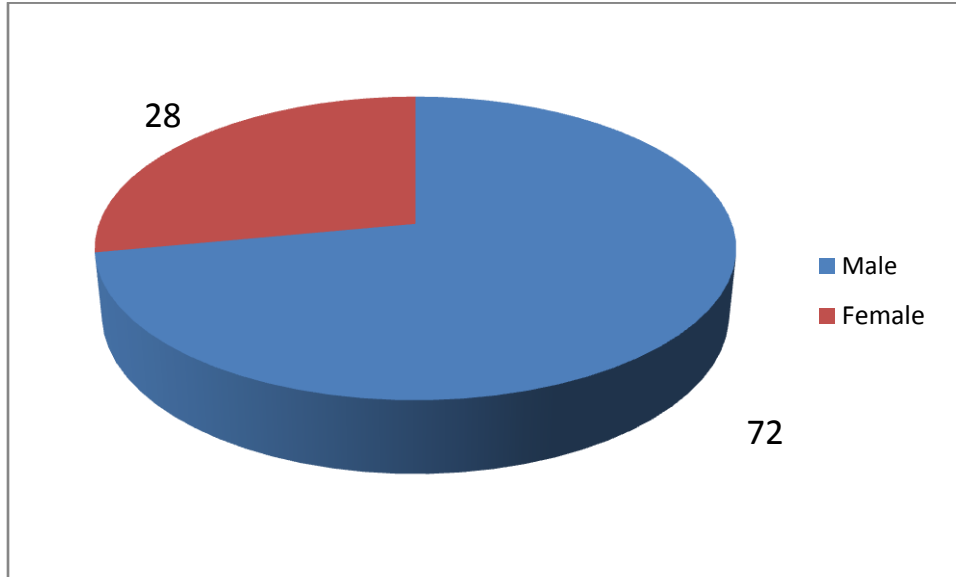
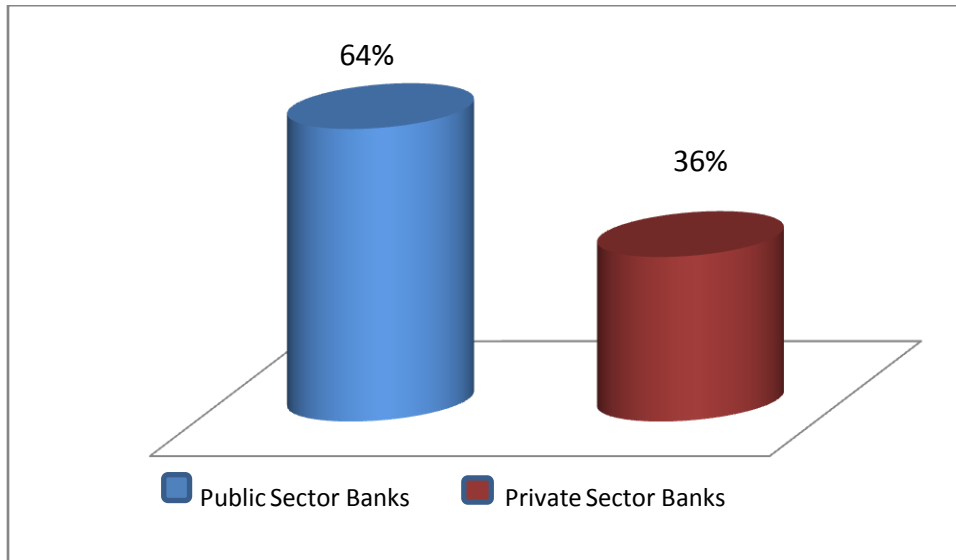
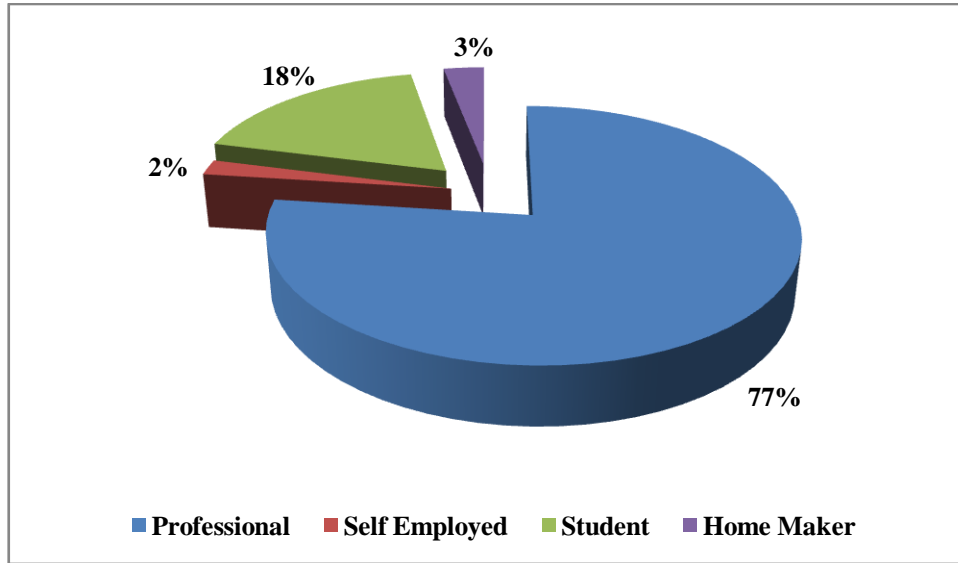


Fig.2 Bank wise Distribution of Respondents



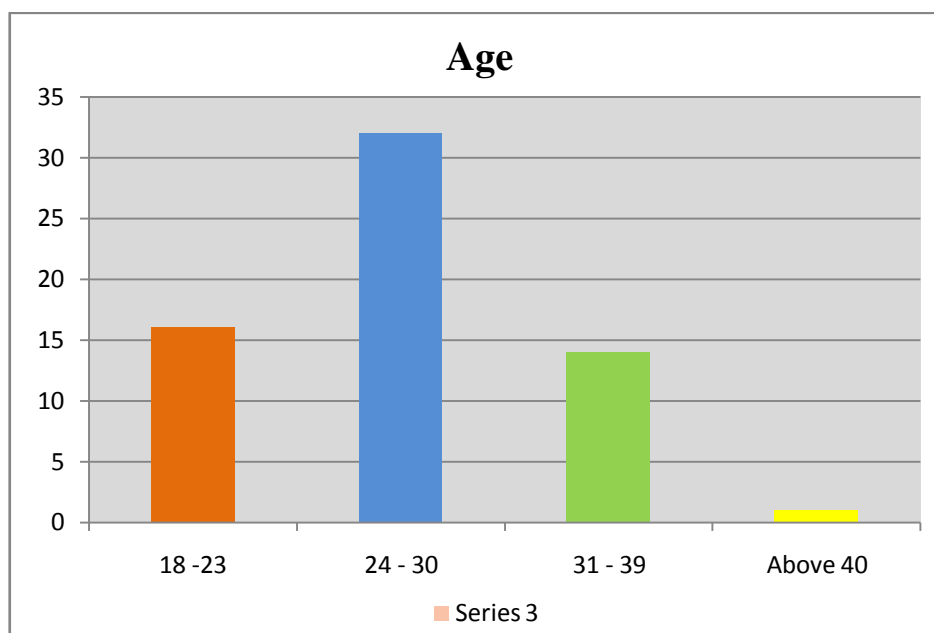
The Fig.2 depicts the respondents classifications based on the bank in which they hold accounts. Out of total respondents 64 per cent respondents were having accounts in Public sector banks and rest of the respondents was the customers of Private sector banks.

Fig.3 Occupation wise distribution of respondents



Out of total respondents 77% were professionals, 18% respondents were studying and rest of them were self employed and home makers. (Fig.3)

Fig.4 Age wise distribution of respondents



Most of the respondents belong to the age group of 24-30, while 18-23 and 31-39 age group respondents were almost equal in number.

RESULTS AND DISCUSSION

Out of the five hundred (500) questionnaires administered, three hundred and seventy six (376) were fully completed and returned, were used for the analysis. Thus, the return rate is 75.2%.

E-banking Service Satisfaction: Customer satisfaction towards service, a term frequently used in marketing is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals" (David 2010). Customer satisfaction is very important both in Public and Private sector banks.

Table:I Public Sector Banks Account Holders' Satisfaction (N=195)

Variables	SA	A	N	DS	SDA
Technology	45(23)	50(26)	05(03)	26(13)	69(35)
Customers expectations	39(20)	55(28)	08(04)	19(10)	74(38)
Image and	103(53)	54(28)	14(07)	15(07)	09(05)

Reputation of the Bank					
Performance of the Bank	78(40)	56(29)	09(05)	12(06)	40(20)
Price and Packages	92(47)	29(15)	04(02)	13(07)	57(29)
Location and Infrastructure	85(44)	69(35)	07(04)	12(06)	22(11)
Quality of customer services	85(44)	67(34)	11(06)	08(04)	24(12)
Over all Satisfaction	86(44)	64(33)	23(12)	09(05)	13(06)

Source: *Computed*

Note: *Figures denote the no.of customers in relation with their satisfaction level.*

Figures in brackets denote the percentage of customers.

SA-Strongly Agree, A-Agree, N-Neutral, DS –Disagree, SDS-Strongly Disagree.

Table:II Private Sector Banks Account Holders’ Satisfaction(N-181)

Variables	SA	A	N	DS	SDA
Technology	125(69)	32(18)	06(03)	04(02)	14(08)
Customers expectations	103(57)	27(15)	09(05)	13(07)	29(16)
Image and Reputation of the Bank	35(19)	48(27)	29(16)	07(04)	62(34)
Performance of the Bank	63(35)	72(40)	19(10)	11(06)	16(09)
Price and Packages	112(62)	55(30)	03(02)	06(03)	05(03)
Location and Infrastructure	92(51)	67(37)	13(07)	06(03)	03(02)

Quality of customer services	131(72)	25(14)	03(02)	09(05)	13(07)
Overall Satisfaction	127(70)	34(19)	07(04)	05(03)	08(04)

Source: *Computed*

Note: *Figures denote the no. of customers in relation with their satisfaction level.*

Figures in brackets denote the percentage of customers.

SA-Strongly Agree, A-Agree, N-Neutral, DS –Disagree, SDS-Strongly Disagree.

Customers who are not happy with the bank services tend to switch to other banks. Customer satisfaction is one of the cardinal things in modern banking. In trying to find out whether the customers are satisfied with the services of their banks. The present study finds that 77 per cent of the account holders of Public sector banks and 89 per cent of Private Sector Banks' account holders are really satisfied with the services of their banks. Twenty two (11%) account holders of Public Sector Banks and thirteen (7%) of Private sector banks stated that they are dissatisfied with the e-banking services of their banks. Twenty three account holders (12%) of public sector and seven (4%) account holders of private sector banks took a stand of neutral. It could be inferred that most of the bank customers are satisfied with the e-banking operations of the bank. To sum up, the data suggests that most respondents have a positive attitude and are satisfied with the online services of the banks.

CONCLUSION

It is concluded from the scores of account holders of both Public and Private sector banks in relation with their satisfaction level towards the E-banking services of their respective banks that customer satisfaction vary according to the nature of the services. When the private sector banks are compared with public sector banks, private bank customers were more satisfied with their bank because of their multiple branches at convenient locations and technology (like check deposit machines, utility bill accepting machines etc.) which were not even seen in public sector banks. But when we talk about the customers of public sector banks were more satisfied with reputation, prices and packages which public sector banks impose on services like cheque/cash deposit and cheque/cash withdraw (it has been shown that price charges are lower in public sector banks than in private sector). When we compare both types of banks in terms of customer expectations, private sector banks are favored more than public sector banks. Although

overall both public and private sector bank customers are satisfied with their banks but due to wide difference of response, both public and private sector banks should concentrate on their weak areas in order to meet their customer expectations and this study provides some sort of guidelines to managers of banks to take suitable decisions to get more satisfied responses from their customers.

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