

EMERGING TRENDS IN BANKING SECTOR

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ABSTRACT

The Indian Banking Industry is undergoing a paradigm shift in scope, context, structure, functions and governance. The information and communication technology revolution is radically and perceptibly changing the operational environment of the banks. Technology has emerged as a strategic resources for achieving higher efficiency, control of operations, productivity and profitability. Technology not only plays an important role in development and introduction of new products and facilities like ATMs.,tele-banking, internet banking etc. but also plays a pivotal role in terms of achieving operational efficiency. Technology also aids in the asset liability management process by enabling the top management to decide on product pricing in a competitive scenario.

In order to remain competitive, Banks are increasing using e-banking mode for providing services. The quality of service has been widely used to assess the performance of various banks. Various models of e-banking service quality have been proposed from time to time by various researchers. The aim of this paper is to review some of the important studies on e-banking service quality conducted in various countries across the world. The paper discusses problem with generic e-banking service quality scales. On the basis of review, various studies on e-banking service quality have been classified into four categories. The paper suggests the need for further research to develop a generally accepted scale and model of e-banking service quality.

KEYWORDS

Electronic Banking, Banking Service Quality, Modern Technology, Traditional Banking, Technological Services.

INTRODUCTION

Traditional banking or branch banking is increasingly being replaced by the electronic banking. The e-banking services provided by banks include ATM, credit card, internet banking, mobile banking, telephone banking, electronic fund transfer, electronic clearing services etc. Since the products offered to the customers of a bank are more or less standardized in nature, banks are feeling an increasing need to differentiate themselves from the competitors on other criteria that can influence customer satisfaction and loyalty. This is so because customer satisfaction and loyalty has been shown to be of utmost importance for a firm's performance in the long run. Moreover, banks are under pressure to reduce cost of transactions and work load on branches. This has resulted in increasing number of banks using technology to deliver their services to customers. The acceptance of e-banking among people is growing day by day. This growth has been accompanied by increased business interest in measuring and managing e-banking service quality. This interest is also reflected in a large number of academic studies pertaining to measuring e-banking service quality. Identified that bank customers tend to use a combination of automated service channels. With time various models and scales of e-banking service quality have been proposed by various researchers. This paper aims at reviewing various e-banking service quality models and scales proposed by various researchers.

The Indian Banking Industry is undergoing a paradigm shift in scope, context, structure, functions and governance. The information and communication technology revolution is radically and perceptibly changing the operational environment of the banks. Technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. Technology not only plays an important role in development and introduction of new products and facilities like ATMs, tele-banking, internet banking etc. but also plays a pivotal role in terms of achieving operational efficiency. Technology also aids in the asset liability management process by enabling the top management to decide on product pricing in a competitive scenario.

Technology has brought about a complete paradigm shift in the functioning of banks and delivery, of banking services. Gone are the days when every banking transaction required a visit to the bank branch. Today, most of transactions can be done from the comforts of one's home and customers need not visit the bank branch for anything. Technology is no longer an enabler, but a business driver. The growth of the internet, mobiles and communication technology has added a different dimension to banking.

CONCEPTUAL BACKGROUND

They may be installed at shopping centres, airports, railway stations or located within bank premises. The ATM requires currency notes which are not folded and can move easily in a machine. The ATM supplies notes of certain denominations only. A credit card differs from a charge card also in that a credit card typically involves a third-party entity that pays the seller and is reimbursed by the buyer, whereas a charge card simply defers payment by the buyer until a later date. Debit cards allow one to spend only what is in her/his bank account. It is a quick transaction between the merchant and one's personal bank account. Obtaining a debit card is often easier than obtaining a credit card. The information transactions are obtained from a PC loaded with the latest information of the accounts from bank's records through periodic "Datapumping" exercise an interval determined by the bank based on their perception of customer's requirements.

ECS scheme helps utility institutions, insurance companies, credit card companies and finance companies to collect the proceeds of telephone and electricity bills. The earliest mobile banking services were offered over SMS, a service known as SMS banking. Internet banking involves use of Internet for delivery of banking products and services. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. Customer numbers will also not be the same as any debit or credit card issued by the financial institution to the customer. SWIFT also markets software and services to financial institutions, much of it for use on the SWIFT Net Network, and ISO 9362 bank identifier codes (BICs) are popularly known as "SWIFT codes". Core Banking Solutions is new jargon frequently used in banking circles. The advancement in technology, especially internet and information technology has led to new ways of doing business in banking. These technologies have cut down time, working simultaneously on different issues and increasing efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions

LITERATURE REVIEW

In the present paper I have reviewed 5 studies on e-banking service quality conducted in different countries across the world over a period of more than 5 years. Details of these studies are given below:

Ombati et al. (2010) conducted research to establish the relationship between technology and service quality in the banking industry in Kenya. The research was carried through a cross-sectional survey design which questioned respondents on e-banking services. The population of study mainly constituted of customers of banks within the Central Business District (CBD), Nairobi. The respondents of the study were customers of banks using e-banking services (internet banking, mobile banking and ATM). The sample in this study consisted of 120 respondents who are users of the e-banking services. The data collected was analyzed by use of frequency, percentage, means and correlation analysis. The findings revealed that, secure services as the most important dimension, followed by convenient location of ATM, efficiency (not need to wait), ability to set up accounts so that the customer can perform transactions immediately, accuracy of records, user friendly, ease of use, complaint satisfaction, accurate transactions and operation in 24 hours.

Autar (2010) empirically examined the impact of e-banking in Nigeria's economy using Kaiser-Meyer-Olkin (KMO) approach and Bartlett's Test of Sphericity which supports the use of factor analysis in order to extract independent variables associated with e-banking. The author explored the major factors responsible for internet banking based on respondents' perception on various e-banking applications. Factor analysis results indicated that security, user friendly, queue management, accessibility, time factor and fund transfer are major factors. Out of total respondents' about 88% agreed that e-banking is convenient and flexible way of banking and it also has various transaction related benefits. The results of this study shows that e-banking serves several advantages to Nigerian banking sector. The customers (respondents) perception is that e-banking provides convenience and flexible advantages. It also provides transaction related benefits like easy transfer, speedy transaction, less cost and time saving. However, the study shows that the Nigerian customers have security, access, and not enough knowledge regarding e-banking services rendering by banking sector in Nigeria.

Ganguli and Roy (2011) identified the generic service quality dimensions of technology-based banking and examined the effect of these dimensions on customer satisfaction and customer loyalty. Authors identified generic service quality dimensions using an exploratory factor analysis (EFA). They established the reliability and validity of the factors and customer satisfaction and customer loyalty through confirmatory factor analysis (CFA) using AMOS 16.0 software. The related hypotheses were tested using structural

equation modeling using AMOS 16.0. The paper identified four generic service quality dimensions in the technology-based banking services— customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was also found that technology convenience and customer satisfaction have significant and positive impact on customer loyalty.

Sadeghi and Farokhian (2011) developed a service quality model for e-banking services based on different service quality models and theories such as technology acceptance model (TAM), theory of reasoned action (TRA) and theory of planned behaviour (TPB). They developed a model with 7 factors on the following dimensions: Convenience, accessibility, accuracy, security, usefulness, bank image and web site design. These dimensions are determinants of customer's quality perception in e-banking services. They also found that some of these factors have a significant statistical difference between males and females.

Kumbhar (2011) assessed the relationship between perceived quality, brand perception and perceived value with satisfaction. He found service quality dimensions as System availability, e-Fulfillment, accuracy, efficiency, security, responsiveness, ease to use, convenience, cost effectiveness, problem handling, compensation and contact. For the data analysis structural equation modeling (SEM) method and path analysis method were used. A result indicates that, E-BankQual model is fit to assess relationship between service quality, brand perception and perceived value with overall customers' satisfaction in e-banking service. Result of regression SEM indicates that, all 14 variables found significant and good predictors of overall satisfaction in e-banking services. However, result of SEM analysis indicates that, data supports e-BankQual model and dimensions Compensation, convenience, Contact Facilities, Easy to Use, Responsiveness, Cost Effectiveness and System Availability including brand perception and perceived value were found more significant factors in the e-BankQual model.

OBJECTIVES OF THE RESEARCH STUDY

The present research study was carried out with following objectives in view:

1. To study the recent trends in E-Banking Services.
2. To study the analysis of E-banking Service Quality.
3. To study the Technological Services covered under E-Banking.

4. To suggest some measurable Findings for implementation of E-Banking Service Quality.

RESEARCH METHODOLOGY

The present research study uses the most recent available published secondary data. To achieve the above stated objectives, the secondary data was used. The secondary data that are mainly used are published in annual reports of various banks and survey reports of leading business magazines. The secondary data was also used from various reference books related to E-Banking, Banking Service Quality, E-Commerce, M-Commerce, Information Technology, Marketing, Banking, Finance, Commerce, Management etc. For the said research study the secondary data is also collected from the various National and International Research Journals which are related to Commerce, Management, Marketing and Finance.

For the said research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. The Secondary data is also collected from various websites.

HYPOTHESIS OF THE RESEARCH STUDY

The said research study is carried out with the following hypothesis in view:

- H-1** In early days, E-banking is playing very important role in economic development of India.
- H-2** Recent years, In order to remain competitive, Banks are increasing using e-banking mode for providing services.

ANALYSIS OF E-BANKING SERVICE QUALITY

On the basis of review of the above mentioned studies on e-bankingservice quality, it has been found that with time variousmodels and scales have been developed to measure e-bankingservice quality. Analysis of above mentioned studieson e-banking service quality reveals that these studies maybe classified into four categories:

- 1) First category includes studies that considered scalesto measure generic e-banking service quality i.e. dimensionsare considered in scale irrespective of the technologyused (ATM Banking, Internet Banking, Mobile Banking, Telephone Banking etc.)
- 2) Second category include studies that used scale to measurecombined e-banking service quality i.e. to measure e-bankingservice quality, dimensions of various electronicbanking channels are taken collectively in a scale.

3) Third category includes study that considered different technologies as different factors in the overall e-banking service quality model. There are different variables corresponding to different factors i.e. different technologies are considered as different factors in overall e-banking model.

4) Fourth category includes studies measuring automated service quality that are limited in their focus, encompassing only one electronic channel – the internet – thereby ignoring attributes of the other automated service channels.

◆ TECHNOLOGICAL SERVICES COVERED UNDER ELECTRONIC BANKING

1. Mobile Banking : Mobile banking is a system that allows customers of a financial institution to conduct a number of financial transactions through a mobile device such as a mobile phone or personal digital assistant. Mobile banking differs from mobile payments, which involve the use of a mobile device to pay for goods or services either at the point of sale or remotely, analogously to the use of a debit or credit card to effect an EFTPOS payment. With the introduction of smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started to offer mobile banking on this platform to their customers.

2. Net Banking : The internet banking has changed the banking industry. It has major effects on banking relationships. According to the Internet researcher Morgan Stanley, the web is more important for retail financial services than for many other industries. Net banking (or Internet banking or E-banking) allows customers of a financial institution to conduct financial transactions on a secure website-operated by the institution,

which can be a retail or virtual bank, credit union or building society. To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification. The password for online banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customer numbers (also under various names), whether or not customers intend to access their online banking facility. Customer numbers are normally not the same as account numbers, because a number of accounts can be linked to the one customer number.

- 3. Tele Banking :**Without visiting the bank one can receive the services of banks. The device used for this purpose is called 'tele-banking', This is a fast and convenient way of obtaining services from the I banks by using a telephone. One can receive the services such as information about account, conduct of selected transactions, report of loss of ATM card, debit card, credit card or cheque book, etc. To avail this facility any bank customer can apply to the bank. However, the bank manager has discretion to reject this facility. The facility can be available all customers having savings or current accounts in their individual capacity in the bank offering this facility.
- 4. ATM :**ATM is the automation of the Teller. An ATM is an electronic cash providing and accepting machine. These machines are installed to provide access to cash to the bank customers any time of the day. One need not worry about the working hours of the bank. It is a self-service counter open 24 hours a day for 365 days of the year. A customer who wishes to avail of the ATM facility has to maintain certain minimum balance. There is maximum limit on withdrawal. The customer is issued with the ATM card. It has a Personal Identification Number (PIN) which is known only to the customer. The customer first inserts the card in the slot. The machine examines the genuineness of the card and the door is opened automatically. After that, the customer presses the keys of his PIN and the required cash flows out. The ATM also accepts cheques and cash deposits.
- 5. Debit Card :**Debit cards are also known as cheque cards. Debit cards look' like credit cards or ATM cards but operate like cash or a personal cheque. Debit cards are accepted at many locations 'including grocery stores, retail stores, gasoline stations and restaurants. One can use his/her card anywhere. It is an alternative to carry a cheque book or cash. There is a difference between credit cards and debit cards. A credit card is a way to "Pay later" while a debit card is a way to "pay now". When one uses a debit card his/her money is quickly deducted from his/ her savings account. When one uses a debit card one is subtracting one's money from his/her own bank account.
- 6. Credit Card :**A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a line of credit to the consumer (or the user) from which the user can borrow money for

payment to a merchant or as a cash advance to the user, A credit card is different from a ' charge card: a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers a continuing balance of debt, subject to interest being charged. A credit card also differs from a cash card, which can be used like currency by the owner of the card.

- 7. SWIFT (Society For Inter Bank Financial Telecommunication) :**The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardized and reliable environment.
- 8. Core Banking Solution :**Core Banking solutions are banking applications on a platform enabling a phased, strategic approach that lets people improve operations, reduce costs, and prepare for growth. Implementing a modular, component-based enterprise solution ensures strong integration with your existing technologies. An overall service-oriented-architecture (SOA) helps banks to reduce the risk that can result from multiple data entries and out-of-date information, increase management approval, and avoid the potential disruption to business caused by replacing, entire systems. .
- 9. Electronic Funds Transfer (EFT) :**The EFT automatically transfer money from one account to another. Under EFT the sender and the receiver of funds may be located in different cities and may even bank with different banks. EFT is a scheme introduced by Reserve Bank of India to help banks offering their customers money transfer service from account to account of any bank branch to any other bank branch in places where EFT services are offered.
- 10. Electronic Clearing Service (ECS) :**ECS (Credit Clearing) is a mode of payment whereby an institution makes a large number of payments like interest, dividend, salary, pension to a large number of investors, shareholders, employees, ex-employees can make the payments electronically instead by issuing paper warrants. ECS (Debit Clearing) is a mode of payment whereby an institution receives payments from a large number of consumers and customers.

MEASURES

The Indian Banking Sector should follows the under stated measures to make themselves up to date :

1. To cope up with this problem, banking sector banks should close down loss making branches and staff should be scaled down to the requirements.
2. In the emerging environment, two aspects have become important. One is the better corporate governance and the second is innovativeness and development of competitive edge in their functioning. So for as better corporate governance is concerned, what is needed is ensuring transparency in the system of decision making that leads to accountability to shareholders and stakeholders.
3. Autonomy in Human Resource Management related decisions such as deciding categorization of branches, vacancy, placements etc should be given to banks.
4. More attention towards customer expectations should be given by Banking Sector, With the increasing competition among banks, to meet customer expectations, banks should offer a broader range of deposits, investments and credit products through diverse distribution channels including upgraded branches, ATMs, telephone, Internet etc. For this purpose, banks should: i) become more customer centric, offering a wide range of products/services through multiple delivery channels; ii) become proficient in managing assets and liabilities according to risk and returns; iii) pay greater attention to efficiency including cost-reduction and increasingly fee-based income.
5. Create a clear, simple, reality based customer-focused vision to be able to communicate its strategies to all branches of banks.
6. Reach, set aggressive targets, recognize and reward progress, while understanding accountability and commitment.
7. Have a passion for excellence in banking sector.
8. Have the self-confidence to empower other and behave in a boundary less fashion.
9. Have the capacity to develop global brains and global sensitivity and are comfortably building diverse and global teams.
10. Have enormous energy the ability to energize and invigorate others, stimulate and relish change and not be frightened or paralyzed by it. Change is an opportunity and not a threat.
11. Possess a mindset that drives quality, cost and speed for a competitive advantage.
12. More and more professional should be adopted by the Indian Banking Sector

On the basis of review, it have been found that generic servicequality scales lead to state of dilemma for respondents.Survey usually asks respondents to give their response

on the basis of their overall experience with e-banking. But a respondent may be using multiple e-banking modes and his experience with all the technologies may not be same, so it results in dilemma for the respondent regarding which service to consider at the time of responding. Customer valuation of automated service options and their intention to use a particular option are directly affected by their perception toward the attributes associated with that option. Attributes of each and every automated service delivery channel differ from each other in some way or the other. So measuring service quality of all automated channels separately will give better understanding of automated service quality. It has also been observed that different studies on e-banking service quality consider different dimensions of e-banking service quality. So it may be said that there is no universal or generally accepted model till date to measure e-banking service quality.

CONCLUSION

In recent time E-banking has spread rapidly all over the globe. All Banks are making greater use of E-banking facilities to provide better service and to excel in competition. The spread of E-banking has also greatly benefited the ordinary customer in general and corporate world in particular. Technology in the form of E-banking has made it possible to find alternate banking practices at lower costs. More and more people are using electronic banking products and services because large section of the banks future customer base will be made up of computer literate customer, the banks must be able to offer these customer products and services that allow them to do their banking by electronic means.

On the basis of review of studies on e-banking service quality, studies may be classified into four categories. It has been explored that there is problem with generic e-banking service quality as these scales lead to state of dilemma for respondents. It has also been found that there is no consensus among researchers on scales of e-banking service quality. So it is suggested that there is need for further research in order to develop a model and scale based on standard dimensions that can be universally applied for measuring e-banking service quality.

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