

INFORMATION TECHNOLOGY SERVICES TO THE BANK CUSTOMERS IN INDIAN BANKING INDUSTRY

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Abstract

Core-banking Solutions which is seen in the nationalized banks to-day offer immense benefits to both banks and their customers. Simultaneously, nationalized banks have introduced Tele-banking, Internet banking, Mobile/SMS banking services for their customers. These services, namely, Centralized Banking, ATMs, Tele-banking, Internet banking, Mobile/SMS banking are now available in most of the 19 nationalized banks in small, moderate or big measure. Now, banks in India have recognized well the importance of information and communication technologies for their smooth functioning. Also, banks in India use information and communication technologies in abundant measure to offer a variety of products and services to their customers. This changed scenario and the innovations are definitely making their impact on the nationalized banks in India as they have wide branches network and also cater to a huge volume of customers.

Key Words: Core Banking, Information Technology, Services, Customers.

1. Introduction

A vibrant banking industry is one of the vital requirements for any growing economy. Indian economy has been witnessing a steady growth ever since the country gained independence in 1947. Thanks to nationalization exercises in 1969 and 1980, these banks increased their network at a very brisk pace. Starting from 4553 branches in 1969, the number of branches at the end of 2008 stood at 38046. The flow of credit facilities to the much needed sectors of the economy was not uniform prior to nationalization. In fact, bank credit was available only to the affluent sections of the country's population. A few industrial houses in the country alone could get their credit requirements fulfilled. Banking is a major service industry. The post 1991 period in India (post liberalization era as we usually call it) opened up the doors of this industry wide, enabling private players to showcase their talents. Globalization measures of the early 90s thus encouraged the entry of private and foreign players in the Indian financial market. The competitive environment for the sector became more challenging as the new entrants had no legacy baggage of bad loans. These banks, which had fully computerized operations which were a pre-condition for their establishment, demonstrated visible positive benefits of technology. They could attract the new generation customers as also, young and highly qualified talent as employees. Realizing that they could not face the new competitors with their inadequate technology support, Public Sector Banks that covered 85% of banking business, went on to acquire technology (Vasant Godse, 2007).

Banking industry cannot afford to ignore the rightful expectations of its customer base if it has to grow and improve business. Nationalized banks are no exception to this. Post 1991, they also came under severe compulsion to cater to a newer generation of customers. This new generation was quite different from the previous ones who availed banking services in an 'as is where is' condition. The new generation of customers was fast in everything and found less time to come physically to banks. They needed good as well as quick services. Quality in every banking service was a must for them (Prashant Pradhan, 2009). Cost came next to them, unlike in the past, when customers needed everything at affordable prices. This paved the way for introduction of technology driven alternative delivery channels like Automated Teller Machines/Tele-banking/Internet banking/Mobile /SMS banking.

2. Objectives of the Study

- 1) to know the benefits of Core-banking or Centralized banking solutions to public sector banks and customers,
- 2) to analyze the perceptions of the bankers on the selected information technology- driven services, and
- 3) to make appropriate suggestions for the improvement of information technology – driven services to the bank customers by Indian public sector banks .

3. Methodology

The methodology of the study is based on Primary and Secondary sources. The primary data collected through well-framed and structured questionnaire to elicit the well-considered opinions of public sector bank personnel. Simple Random Sampling method has been used to collect the responses from bank personnel. The Secondary data is collected from books, journals, magazines, periodicals and websites of various banks.

4. Data Analyses

The statistical tools used for data analysis are Percentage Analysis, One-sample t-test, Paired normalized t-test, One way Analysis of variance (ANOVA), Chi-square test, K-Means cluster analysis and discriminate analysis and Multiple Regression Analysis

4. Review of the Literature

Previously, the banking practices consumed a lot of its customer's time, like for instance, to withdraw or deposit the money, to acquire loan, etc. But now, as a result of technological advancement, Automated Teller Machines, rightly called as anytime money by the common man, have changed the concept of banking. Banking services including a wide range of loan and credit facilities are now within the reach of the common man. Various alternative channels have made it possible for maximum number of customers to obtain banking services as per their convenience (Vikas Shrotriya, 2007)¹ 'Dove Associates', in their study on 'Consumer banking preferences' found that, Automated Teller Machines (ATMs) are instrumental in providing convenience and meeting all the expectations of the customers regarding convenience (Kanugovi Sreenath, 2004)². Venkatesh et al. (2003)³ have proposed a research framework, known as Unified Theory of Acceptance and Use of Technology (UTAUT), for predicting the technology acceptance behaviour of individuals from a unified view. This framework was proposed based on a detailed review of previously available eight models. The study suggested four key constructs in the UTAUT namely Performance Expectancy, Effort Expectancy, Social Influence and Facilitating Conditions, which are empirically validated and found to be significant determinants of predicting technology acceptance behaviour. This model accounts up to 70% of the variance in technology acceptance behaviour of the individuals and hence considered to be a comprehensive, robust and powerful model to predict the technology adoption. According to Srivastava (2007)⁴, the bank customer's perception of Internet banking could be changed by certain significant factors such as awareness program, friendly usage, low charges, enhanced security and better response to the services offered by the banks in India. This study also revealed that demographic characteristics of the bank customers such as gender, education and income play significant role in their usage of Internet banking services in India. Prakash and Malik (2008)⁵ investigated the factors that influence the bank customers usage of Internet banking in India. The study revealed that accessibility of the Internet, customers' awareness levels, attitude, proper assistance for using website, security issues, trust perceptions and problem solving attitudes of bank employees are the most significant factors affecting bank customers' adoption of Internet banking services. The above impressions have fuelled the thoughts of the research scholar and have lead him to think along the following lines:

- (1) Presently, nationalized banks, moving in the direction of net-working of branches, have gone in for Centralized or Core-banking Solutions.
- (2) Provision of alternative channels of delivery like Automated Teller Machines (ATMs), Internet Banking, Tele/Mobile/SMS banking have become a routine in public sector banks.

But, no meaningful and customer-centric study appears to have been carried out in these areas. Similarly, no study on the perceptions of the bankers in the above areas also appears to have been done. The scholar has recognized the above areas as very impressive research gaps worth Studying.

5. Discussions and Findings

The study has been conducted based on the responses of public sector bank bankers in Chennai City. There is every likelihood for the responses of bankers at other places not covered by the study to differ substantially as they depend upon the time, place and requirements of those customers and bankers. Public sector banks have been very innovative in their approaches and there is every possibility for the present day banking to undergo lot of changes within a short span of time. The services studied may not be very important ones even after a short span of time i.e. 5 years from now. Newer technologies may emerge and will bring new business opportunities to the banks and new services to the customers. The findings of the study carried out have been enumerated below:

1. Centralized or Core-banking solutions aid Management Information System (MIS) and Decision Support System. This in turn enables nationalized banks to formulate innovative products as business data for the entire bank is readily available at the Centralized Data Centre, any time. Centralized or Core-banking solutions help nationalized banks to maintain a healthy Credit (Advances) Portfolio by enabling better loan documents renewal practices and a robust NPA management system. Centralized or Core-banking solutions help improve customer service by enabling quick transfer of funds, pass book updating at any networked branch, error-free interest calculations on both deposits as well as advances front.

2. Majority of the public sector bank customers (63% of sample unit) have opted for the cards out of their own interest rather than compulsion by their banks and also convenience in cash withdrawal facility at any time/place is the main factor which influences the decision to opt for an ATM/ATM-cum-Debit Card. The other factors like reduced risk in carrying cash, no charges for a new card, avoids waiting time at banks, etc. are only secondary in influencing a customers' decision to have an ATM/ATM-cum-Debit Card. Awareness level about availability of tele-banking services amongst the customers of public sector banks is only moderate (50.1% of sample unit). Availment of tele-banking service by customers of public sector banks amongst those who are aware of the service, is still lesser(54%). Awareness level about availability of Mobile/SMS banking services amongst the customers of public sector banks is only moderate (47.1% of sample).

3. Bankers use technology indiscriminately for every activity or function mainly because they have to redesign their products/services continuously to match the changing preferences of customers. Majority of the public sector bank personnel (79.5% of sample) opine that banks have to charge the customers for the technology-driven products/services offered to them. They also opine that besides other methods, segmenting the customers on the basis of deposits and advances is the most appropriate way to charge them. They further agree that customers will agree to pay for the convenience afforded by technology than for other reasons.

4. Public sector bank personnel strongly feel that attending to ATM break-downs immediately, including more banks in their ATM networks, resolving disputes related to ATM transactions in a time-bound manner, opening more ATM's with cash/cheque deposit facilities are the main factors

which will go to improve ATM services. Public sector bank personnel strongly feel that centralized or core-banking solutions introduced in the banks have proved very useful as they help to get an unified view of business data from the centralized data centre, aid both Management Information System as well as Decision Support System, besides helping them to control Non-performing Assets and managing the advances portfolio better. Public sector bank personnel strongly agree that centralized or core-banking solutions have helped them improve customer service by enabling quick funds transfer between branches, pass book up dation at any networked branch and prompt deposit related services to their customers.

6. Suggestions

The study has thrown light on several issues concerning technology-driven services. In the light of the same, the following suggestions are offered:

1. Centralized-banking or Core-banking solutions have received the support of the public sector bank customers in a fairly big way. Customers of public sector banks have varied experiences, views and opinions on the utility aspects of ATM/ATM-cum-Debit cards. Therefore, public sector banks have to become pro-active in this area and take lot of initiatives to ensure a hand-in-hand development of both their customers and themselves.
2. Awareness creation programs on information technology-driven services have to be regularly arranged in public sector banks. This can help them to increase the customer base and get them to use such services comfortably without any problems. Particularly, the Inter-bank remittance facilities like NEFT, RTGS prove to be a very cheap and quicker mode for transfer of funds. The awareness about the availability of a Banking Ombudsman should also be created by banks by a suitable display at their branches.
3. Information Technology can only be an enabler. Banks must take adequate steps for use of Information Technology.
4. Pricing or charging of technology-driven services offered to the customers must not be totally cost-based but must be relationship-based.

7. Conclusion

In India, Public sector banks have shouldered their responsibilities towards social commitments and obligations perfectly. The Public sector banks of the country can be carried out with ease and comfort precisely, only if the right and superior technology is adopted and put in its place in Public sector banks. The future of Indian banking sector is going to be fully technology driven. It will be an interesting competition between new generation private banks and public sector banks, more particularly Public sector banks, as they have spread their network across the length and breadth of the country. The transformation from a seller's market to a buyer's market is already happening in the Indian banking industry and is going to continue in future also. Such banks which have the interest of customers top most on their priority list will be the winners in the competition. Public sector banks with huge technology-support, driven by competent teams of human resources will definitely emerge as winners in the race.

The study made here gives ample scope to undertake a similar study of the customers' views/opinions/experiences on the same technology-driven services in State Bank of India as well as their associates functioning in Chennai City. A similar exercise can be attempted in respect of the old and new generation private sector bank customers also. A comprehensive study covering the problems that may arise and the solutions that may be found will also offer ample scope for the future research scholars for undertaking innovative studies.

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