

BANKERS' PERSPECTIVES ON E-BANKING

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ABSTRACT

Today, e-banking is used as a strategic tool by the global banking sector to attract and retain customers. The present paper is the outcome of an empirical study conducted with the objective of investigating bankers' views regarding e-banking. It covers bankers' perspectives on e-banking activities of respondents, impact of e-banking and promotional measures used by banks to promote e-banking. The survey data used in this research are collected through a questionnaire in Northern region of India by administering to 192 bankers. The enquiry reveals that customers generally use e-Banking services on persuasion of bankers. User-ship is mostly concentrated on professionals, business class and males belonging to middle age. The bankers are convinced that e-banking helps in improving the relationship between bankers and customers and that it will bring patent improvement in the overall performance of banks. So far as promotional avenues are concerned, print media is at the top.

Keywords: e-banking, promotional measures, banking industry, retention rate, bankers' perspectives.

I. INTRODUCTION

Tremendous progress in the field of information technology has reduced the world to a global village and it has caused unprecedented change in the banking industry. Huge developments in the technology of telecommunications and electronic data processing have further stimulated these changes. Automation has revolutionized financial and banking sectors globally. Apart from branch banking in the brick and mortar mode, click and order channels like internet banking, ATMs, tele-banking and mobile banking are now in vogue. Customers can view the accounts, get account statements, transfer funds, purchase drafts by just making a few key punches. Availability of ATMs and plastic cards to a large extent make it necessary for customers going to branch premises. Smart Cards with an embedded micro-processor chip have brought about revolutionary change. Electronic Data interchange (EDI) is another development that has

made its impact felt in the banking arena. Transaction costs have fallen down, productivity has tremendously improved, new banking products and services have entered the market.

E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. It increases efficiency in the sphere of effective payment and accounting system thereby enhancing the pace of delivery of banking services considerably. It allows customers to access banking services electronically such as to pay bills, transfer funds, view accounts or to obtain any banking information and advice. E-banking also facilitates new relationships with customers, regulatory authorities, suppliers and banking partners with digital-age tools. For example, customers and bank relationships will become more personalized, resulting in new modes of transaction processing and service delivery. Now, banks are faced with a number of important issues, for example how to take full advantage of new technology, how e-banking change the ways customers relate with the service provider, etc. The banking industry has been considerably influenced by expansion of technology.

Benefits of E-Banking

E-banking helps us in overcoming the drawbacks of manual system, as computers are capable of storing, analyzing, consolidating, searching and presenting the data as per the user requirements with lot of speed and accuracy. Number of benefits accrues to the various parties with the development of e-banking.

To the Banks

- E-banking services help in increasing profits.
- E-banking provides competitive advantage with boundary less network to the banks.
- Due to e-banking banks carry on business less with paper money and more with plastic money; have online transfer of funds, thus economizing on the cost of storage of huge stocks of currency notes and coins.
- By connecting with ATM and PO terminals, risk of cash overdraw can be eliminated in case of ATM credit and debit cards.

- E-banking websites can act as a revenue earner through its promotional activities.
- Customers can avail e-banking facility from anywhere, therefore saving the need not to invest more on building infrastructures.
- Websites that offer financial convergence for the customer will create a more involved banking customer who will more frequently utilize the banking websites.

To the Customers

- E-banking provides 24 hours service to the customers for cash withdrawal from any branch.
- Quick and steady access to information.
- Online purchase of goods and services and payments can be made for various purposes.
- The customer can view his account balance, can get a statement of his account, can apply for loans, check the progress of his investments, review interest rates and collect other important information.

To the Merchants, Traders, etc.

- It ensures assured quick payment and settlement to the various transactions made by the traders.
- It provides a variety of services to the businessmen on par with the international standards with low transaction cost.
- Cost and risk problems involved in handling cash which are very high in business transactions are avoided.
- It leads to the growth of global and local clientele base with the development of e-Banking.
- Other benefits include improved image, improved customer service, eliminating paper work, reduced waiting costs and enhanced flexibility.

This paper is an outcome of an empirical study conducted with the objective of gaining bankers' views regarding e-banking. The paper consists of four sections besides introduction viz. review of literature; research methodology; results & discussion and conclusion.

II. REVIEW OF BYGONE STUDIES

This section presents research work done on bankers' viewpoints on e-banking.

Sathye (1997) reviewed the status of internet banking in Australia. The study found that only two of the 52 banks started internet banking services. He opined that education would be a crucial factor for expanding internet banking in Australia. If customers are convinced about the various advantages of internet banking they will start asking for this service from their banks, and will put pressure on the banks to go ahead with internet banking.

Filotto et al. (1997) illustrated that the adoption rates of ATM were higher among young users. In addition, *Barnett (1998)* findings proved that younger consumers are more comfortable in using e-banking. *Katz and Aspden (1997)* findings explained that males were more likely to adopt e-banking than females.

Mookerji (1998) explored that internet banking is fast becoming popular in India. Nevertheless, it is still in its evolutionary stage. They expect that a large sophisticated and highly competitive internet banking market will develop in future.

Joseph et al. (1999) examined the influence of internet on the delivery of banking services. They found six primary dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization.

Mols (1999) acknowledged that the internet banking is an innovative distribution channel that offers less waiting time and a higher spatial convenience than traditional branch banking with significantly lower cost structure than traditional delivery channels. Internet banking reduces not only operational cost to the bank but also leads to higher levels of customer satisfaction and retention. As a result internet banking is very attractive to banks and consumers, who now have higher acceptance to new technology. (*Polatoglu and Ekin, 2001, Mols, 2000, Sathye, 1999, Wisner and Corney, 2001*)

Jeevan (2000) observed that the internet banking enables banks to offer low cost and high value added financial services. US web-corporation argues that finally banks are finding that a comprehensive online banking strategy is indispensable for success in the increasingly competitive financial services market. Changes in technology, competition and lifestyles have changed the face of banking and banks in the present environment are looking for alternative ways to provide differentiated services.

Hasan (2002) found that online home banking has come out as a significant strategy for banks to attract and retain customers. About 75 percent of the Italian banks have adopted some form of internet banking during the period 1993-2000. The study also found that the higher likelihood of adopting active

internet banking activities is by larger banks, banks with higher involvement in off-balance sheet activities, past performance and higher branch network.

Mishra (2005) in his paper explained the advantages and the security concerns about internet banking. According to him, improved customer access, offering of more services, increased customer loyalty, attracting new customers are the primary drivers of internet banking. But in a survey conducted by the online banking association, member institutions rated security as the most important concern of online banking.

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.

From the review of literature, we found that education is one of the crucial factors for expanding e-banking. Younger consumers and males are more comfortable in using e-banking. Convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization were found to be primary dimensions of e-banking service quality. However, most of the studies are carried out in foreign countries. In light of the above findings, the present study is undertaken in Indian context to find out bankers perspectives on e-banking.

III. RESEARCH METHODOLOGY

Objectives of the Study:

The objectives of the paper are (i) to study bankers' perspectives on e-banking activities of respondents, (ii) impact of e-banking on banks (iii) promotional measures used by banks to promote e-banking. Bankers' perspectives on e-banking activities of customers encompasses: frequency of adopting e-banking services by customers on persuasion of bankers and on their own, age groups and occupations preferring e-banking services, access rate, retention rate of e-banking customers and switch over rate of bank customers from traditional banking to e-banking. Impact of e-banking on relationship between bankers and customers and on overall performance of banks also forms an important part of the analysis. Bankers' viewpoints on promotional media used by them to promote e-banking are covered in the last objective.

This study includes both primary as well as secondary data collected from 240 bankers equally representing public sector banks, private sector banks and foreign banks in northern India with the help of well-drafted and pre-tested structured questionnaire. Eleven public sector banks, four old private sector banks and four new private sector banks and five foreign banks have been included in the study. Total 192 responses were received from the branch managers and finally used in the study by following convenience sampling technique. The secondary information has been obtained from the reports of RBI, different banks, websites, magazines, journals and newspapers to study the relevant aspects. The data was analyzed using frequency distribution.

IV. RESULTS AND DISCUSSIONS

This section encompasses bankers' perspectives on e-banking activities of respondents, impact of e-banking and promotional measures used by banks to promote e-banking.

A. Bankers' Perspectives on e-Banking Activities of Customers

This section highlights e-banking activities of customers as perceived by bankers. It includes:

a. *Comparison of E-banking Adoption Frequency by Customers on Bankers' Persuasion or by Own Initiative.*

Table 1.1 presents comparison of e-banking adoption frequency by customers on persuasion of bankers or on their own. It is noticed that 20 to 40 percent customers use e-banking services more frequently under the guidance of the bankers. This is viewed by 44.27 percent of 192 sampled bankers, followed by 35.94 percent bankers who are of the view that 40 to 80 percent of the customers adopt e-banking on persuasion of bankers. On the other hand, 52.60 percent bankers opine that only less than 20 percent customers resort to e-banking on their own. It comes forth from the analysis that there is not enough of awareness in Indian customers regarding use of e-banking services and the guidance and persuasion by bankers help promote the use of such services amongst the customers.

b. *Age-wise Preference of e-Banking Services*

A review of the Table 1.2 showing different age groups of customers availing e-banking services, exhibits that 43.75 percent bankers are of the view that middle age men (30 to 50 years of age) make the greatest use, followed by 39.59 percent of bankers, who hold that the next in order is young age men (up to 30 years of

age). It is noteworthy that women customers use such services relatively much less frequently.

c. *Occupation-wise Preference of e-Banking Services*

Coming to the bankers' views regarding preference in the use of e-banking services on the basis of occupations (Table 1.3), the study reveals that professionals are at the top according to 33.85 percent bankers, 28.13 percent bankers consider business class makes the greatest use. Only 13.02 percent bankers believe that e-banking is used more by service class and professionals both. Very small percentage of respondents holds the opinion that e-banking services are used by both service and business class and business class and professionals.

d. *Retention Rate of E-banking Customers*

Table 1.4 exhibits satisfaction level with regard to retention rate of e-banking customers. A look at the table clearly suggests that majority of the bankers interviewed, (59.38 %) feel satisfied with the retention rate, followed by 18.23 percent who are highly satisfied. Only 3.64 percent stated that they are not satisfied, while 18.75 percent refrains from giving any opinion on this issue.

e. *Increase in Customers Accessing E-banking Services*

Table 1.5 depicts views regarding number of customers accessing e-banking services. The table shows that in the perception of most of the bankers (84.37 percent, taking to large extent and some extent categories together), the number of customers making use of e-banking services is definitely on the increase. Only a very small proportion of respondents (15.63 % bankers, taking a little and very little categories together) hold the contrary view.

f. *Velocity of Bank Customers Switching from Traditional to e-Banking*

Table 1.6 reveals switch over rate of bank customers from traditional banking to e-banking. Maximum number of sampled bankers (57.29 percent, taking very high and high categories together) is of the view that customers are increasingly switching over from traditional banking to e-banking. While, 17.71 percent of the bankers have no clear opinion in the matter, 25 percent of them (taking low and very low categories together) hold that the rate of switch over is quite low.

B. Impact of E-banking

This section throws light on impact of e-banking on the relationship between bankers and customers and on overall performance of banks. These are described as follows:

a. Impact of E-banking on Bankers-Customers Relationship

Regarding improvement in relations due to e-banking, it is obvious from the Table 2.1 that responses are almost equally split between very much and somewhat categories, 43.75 percent bankers agree that bankers and customers relations have recorded very much improvement, 39.58 percent of respondents expressed 'somewhat improvement'. On the other hand, almost 14.58 percent of bankers are of the view that use of e-banking services has contributed 'a little or very little' to the betterment of relations between the bankers and the customers.

b. Impact of E-banking on Overall Performance of Banks

Table 2.2 reveals views of bankers regarding improvement in overall performance of banks due to e-banking. Majority (52.60 %) clearly believe that e-banking services have brought about some improvement in the overall performance of banks, followed by 41.15 percent who are of the view that working has improved a lot, whereas, only 6.25 percent (taking a little and very little categories together) bankers hold the view that almost no improvement in the overall performance of banks has taken place.

C. Promotional Measures Used by Banks to Promote e-Banking

Here, bankers' point of views are gathered with regard to promotional measures used by banks to promote e-banking viz. print, internet, SMS, outdoor advertisement, television and radio. Responses regarding extent of knowledge provided by banks to customers for using e-banking services are also collected and analyzed.

a. Choice of Promotional Media

Table 3.1 exhibits different sources used by banks to promote e-banking like print media, internet, SMS on mobile, outdoor advertisements and television and radio. A majority (73.96 %) of the bankers responded that print media is used by the banks to a large extent for the purpose. Regarding internet, highest percentage (32.81 %) of the bankers said that internet is used very little. Regarding the use of SMS, 78.13 percent of bankers reported that it is not at all used. Outdoor advertisements are also used to some extent. In the opinion of 37.50 percent bankers, television and radio are also used by the banks to some extent. It signifies that banks mostly rely on print media to promote e-banking services.

b. Banks Providing Knowledge to Customers for Using E-banking Services

Table 3.2 illustrates the extent to which banks are providing knowledge to customers for using e-banking. It can be noted that 51.04 percent of respondents said that banks do provide knowledge but only to some extent, followed by 45.31 percent who believed that sufficient guidance is supplied by the banks in this field. That the banks extend a little or very little knowledge is expressed by a small percentage (3.65 %) of the respondents.

V. CONCLUSION

Regarding bankers' perspectives on e-banking activities of customers, the study reveals that there is not much awareness in Indian customers regarding use of e-banking services. But, the guidance and persuasion by bankers does promote the use of such services amongst the customers. There is greater incidence of e-banking usage among the middle age men (30 to 50 years of age); and women customers use such services much less frequently. Occupation-wise, the professionals, followed by business class, make more use of e-banking services. Bankers are satisfied regarding the retention rate and access rate of e-banking customers and they are also satisfied with switch over rate of customers from traditional banking to e-banking.

Regarding impact of e-banking, the study indicates that e-banking helps in improving the relationship between bankers and customers. The bankers expressed confidence that such bonds would bring improvement in the overall performance of banks. About different promotional measures adopted by banks to promote e-banking, the study discloses that banks mostly resort to the use of print media followed by internet, SMS on mobile, outdoor advertisements and television. Majority of the bankers believe that banks are wanting in providing sufficient guidance to customers for using e-banking services.

In order to make e-Banking more popular, banks must separate their customers based on demographic priority (i.e., age, gender, occupation etc.) and customize e-Banking services as per their needs and requirements. It is seen that banks are heavily dependent on print media to promote their services. It is felt they should supplement this media with other modes like hoardings, SMS, e-mail etc. to stimulate e-banking usage and create greater awareness. Additionally, they can also resort to video presentations at bank branches to project the user-friendliness of their banking services in general and e-Banking in particular. We suggest that service providers who have to make strategies and decision should cash on the benefits of e-Banking. Given the increased competition and

pressures to cut expenses, banks need to attract and retain their customers by creating, maintaining and highlighting such attractive features of e-Banking. Moreover, the banks which are not providing e-banking till date can also gain valuable insights from the same.

The willingness to use the e-Banking is directly related to the frequency of usage. There should be seminars/workshops/talks on the healthy usage of e-Banking, especially for those who are ATM or computer illiterates.

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Table 1.1: Frequency of Adopting E-banking Services on Persuasion of Bankers or by Own Initiative

N=192

Customers' Frequency	Bankers' Persuasion (Respondents)	Own Initiatives (Respondents)
Less than 20%	26 (13.54)	101(52.60)
20% to 40%	85 (44.27)	57 (29.69)
40% to 80%	69 (35.94)	26 (13.54)
80% to 100%	12 (6.25)	8 (4.17)
Total	192 (100.0)	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 1.2: Age-wise Preference of E-banking Services

N=192

Age Groups	Respondents
Young Age Men	76 (39.59)
Middle Age Men	84 (43.75)
Young Age Women	10 (5.21)
Young Age Men And Women	11 (5.73)
Middle Age Men And Young Age Women	4 (2.08)
Middle Age Men And Women	4 (2.08)
Young Age Men And Middle Age Women	3 (1.56)
Total	192 (100.0)

Field Survey

Notes:

1. Figures in parentheses indicate percentages based on column totals.
2. The young and middle age group means < 30 years and 30 to 50 years respectively. There are no respondents in the old age category of above 50 years.

Table 1.3: Occupation-wise Preference of E-banking Services

N=192

Occupations	Respondents
Service Class	24 (12.50)

Business Class	54 (28.13)
Professionals	65 (33.85)
Service Class and Business Class	11 (5.73)
Service Class and Professionals	25 (13.02)
Business Class and Professionals	13 (6.77)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 1.4: Retention Rate of e-Banking Customers

N=192

Satisfaction Level	Respondents
Highly Satisfied	35 (18.23)
Satisfied	114 (59.38)
Neutral	36 (18.75)
Unsatisfied	7 (3.64)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 1.5: Increase in Customers Accessing E-banking Services

N=192

Extent	Respondents
To Large Extent	98 (51.04)
To Some Extent	64 (33.33)
A Little	26 (13.54)
Very Little	4 (2.09)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 1.6: Velocity of Bank Customers Switching from Traditional to E-banking

N=192

Switch Over Rate	Respondents
Very High	26 (13.54)
High	84 (43.75)
Undecided	34 (17.71)
Low	38 (19.79)

Very Low	10 (5.21)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 2.1: Bankers-Customers Relations Improved due to E-banking Services

N=192

Improvement in Relations	Respondents
Very Much	84 (43.75)
Somewhat	76 (39.58)
A Little	15 (7.81)
Very Little	13 (6.77)
Not at all	4 (2.09)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 2.2: Overall Improvement in Performance of Banks due to E-banking

N=192

Extent of Improvement	Respondents
To Large Extent	79 (41.15)
To Some Extent	101 (52.60)
A Little	8 (4.17)
Very Little	4 (2.08)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 3.1: Choice of Promotional Media

N=192

	Print Media	Internet	SMS on Mobile	Outdoor Advertisement	Television and Radio
Extent	Respondents	Respondents	Respondents	Respondents	Respondents
To Large Extent	142 (73.96)	25 (13.02)	4 (2.08)	43 (22.40)	33 (17.19)
To Some	27 (14.06)	43 (22.40)	15 (7.81)	65 (33.85)	72 (37.50)

Extent					
A Little	9 (4.69)	24 (12.50)	9 (4.69)	24 (12.50)	18 (9.37)
Very Little	10 (5.21)	63 (32.81)	14 (7.29)	36 (18.75)	31 (16.15)
Not At All	4 (2.08)	37 (19.27)	150 (78.13)	24 (12.50)	38 (19.79)
Total	192 (100.0)	192 (100.0)	192 (100.0)	192 (100.0)	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.

Table 3.2: Banks Providing Knowledge to Customers for Using E-banking Services

N=192

Extent	Respondents
To Large Extent	87 (45.31)
To Some Extent	98 (51.04)
A Little	3 (1.56)
Very Little	4 (2.09)
Total	192 (100.0)

Field Survey

Note: Figures in parentheses indicate percentages based on column totals.