

Challenges of New Technology towards Banking Products and Services

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Abstract

Indian banks today are as technology products and services as their counter parts in new countries. Introduction of new technology based products and services such as Mobile banking have put the banking industry on a new growth trajectory. The purpose of this research is to study the extent of usage of various banking products and services by customers. Field surveys with structured questionnaires were used to collect primary data from bank staff and customers on random sample basis in Chennai and Salem. Indian banks have effectively leveraged technology and introduced several variants of traditional products and new e-based services. While ATM has become popular for cash withdrawals, other services like mobile banking, home banking and internet banking are Sub-optimally used. Customers are still not using the full range of services available in ATM's.

Out of new technology based products is not sufficient. Banks must aggressively promote e-banking services so as to reduce footfalls in branches. Apprehensions of customers to cyber frauds should be addressed by educating them not only in the use of these services but also on the steps taken to secure the transactions.

This paper deals with the latest technology, banking products, and social based services are applied by the banking companies in India.

Introduction

These have been a paradigm shift in the Indian banking industry since the calibrated and gradual deregulation process from the early 1990s. The shift has made Indian banks robust and stronger and benefited the customers in more ways than one. Today, Indian banks are as technology service as their counter parts in developed countries on the networking front, branch banking, coupled with ATM Networks has brought banking Services to the door step of customers. Competitive forces and new developments in technology have led to internet and mobile banking much to the delight of bank customers.

Rationale for Present study

Indian banks have leveraged technology and have introduced an array of products and services. This study examined the extent of use of these products and services by customers and the issues for banks for enhancing customer service.

Objectives of the study

The objectives of this research are as follows:

1. Study the range of products and services offered by banks.
2. Study the extent of usage by customers of the various products and services on offer.
3. Ascertain the extent of connect between banks and customers in usage of products and services.
4. To new issues for Indian banks for enhancing customers services.

Research Methodology

Coverage of the study

This researcher covers the Public sector banks, private sector banks and cooperative banks in Chennai and Salem and the bank customers.

Sources of Data

Data and information were gathered from primary source by means of field survey using structured questionnaires covering bank staff and customers on random basis in Chennai and Salem and from secondary published sources. Primary sources included personal interviews, questionnaires and visits to branches. While the bank staff was interviewed at branches, customers were met at ATMs, branches and at bus stops. Secondary sources included books, journals, newspapers, websites and research studies.

Sample size

Sample size for field surveys were 50 bank staff and 50 bank customers. Separate questionnaires were prepared keeping the objectives of the study in mind.

Data Analysis

Critical analysis of the data and information collected from primary sources as well as from published sources were made keeping the objectives of the study.

Findings of the Study

Range of Bank Products and Services

Alternate Channels

Technology has greatly helped the banking Sector to smoothen their interaction with the Customers. With rapid advancements in ITC, alternate channels are made available to Customers. This has considerably reduced the transaction cost for banks. Customer has the choice of withdrawing money anytime, anywhere, whereas previously he was restricted to the business hours of the bank. With the advent of internet, online banking has further simplified transactions. Customers easily make funds transfer from one account to another and make online purchases. Banks are also using mobile banking Services as a marketing medium to promote their Products and Services.

Core Banking Services

This has helped them to provide many value added services to customers. The aggressive new generation banks, the PSB, have migrated to core banking system to provide seamless banking services to Customers. While foreign banks and Private Banks are on CBS plat form.

New Products/ Services

The biggest challenge faced by any bank in today's open economy is to offer differentiated Products tailor made to the diversified needs of customers. With remarkable changes and paradigm shift in the customer behavior.

Enhanced E - Services

With the implementation of Core banking system, banks offers customers enhanced services such as funds transfer, multi City cheques, and etc. payments of bills and other payments can be made electronically. With superior technology, e banking products are becoming popular in cities and metros such as online payments of taxes, booking of railway/airway tickets, e-Shopping, etc.,

Deposit Products

It can be seen that the traditional savings account continues to be most popular products among customers (96%) with fixed deposits (56%), only 18%, of the respondents have recurring deposit account which is a Uniquely Indian Wealth accumulation Product.

Loan Products

Among 42 % of the respondents have home loans and 24% Personal loans. This contrary to expectations car and two wheelers loans from banks are low. The other variants of loan Products are still not popular with practically any takers for health loans. This could be because the bank staffs themselves promote only a few of their products which are traditionally being offered. Customers' awareness and education therefore becomes important if banks have to promote the new loan products.

Add on Products and Services

For this study we have taken some of these add-on products. Debit/ATM cards are the most popular (60%) only 12% of the respondents have internet banking facility through it offers a host of online services. Since these products and services help banks reduce their service costs, banks should re- look their marketing strategies in this regard.

Frequency of Visit to Bank Branches

From the above Table, gives the frequency of customer visits to branches 40% of the respondents visit branches twice a week which indicates that the mind sets of people have not changed much.

Frequency of visit to ATM

The average people Visit ATMs three times in a week. There appears to be a correlation between visit to ATMs and Visit to branches. Possibly after doing a transaction in the ATM Customer goes to the branch to update the transaction in the pass book.

Reponses of Bank Staff to Products

Deposit Products/Services	% Respon dents	Loan Products	% Respon dents	Add-on Products/Service s	% Respon dents
Saving Account	100	Home Loan	100	Debit Card	86
Fixed Term Deposit Account	100	Personal Loan	100	Credit Card	74
Current Account	100	Car Loan	100	Prepaid Card	46
Recurring Deposit Account	90	Two wheeler Loan	100	Internet Banking	88
Minor Account	40	Education Loan	92	ATM Card	94
Pension Account	66	Consumer Loan	68	Phone Banking	72
Sweep in Facility Account	60	Pension Loan	40	Demat Services	82
Corporate Salary Account	76	Loan against security	80	Mobile Banking	70
--	--	Festival Loan	42	Safe deposit Lockers	90
--	--	Gold Loan	84	--	--
--	--	Health Loan	44	--	--

Correlation of Responses of Bank Staff and Customers

1. Bank staff tends to promote Traditional Products and Services such as savings accounts and home loans. They seldom educate Customers on the new variants which are flexible and customers friendly.

2. Banks must aggressively promote technology based online services so as to reduce footfalls in branches. Apprehensions of customers to cyber frauds should be addressed by educating them not only in the use of these services but also on the steps taken to secure the transactions.

3. Banks must realize that giving a hand up to the customers on technology products, rather than hand outs will help their business strategy and provide opportunities to optimize the services offered.

4. Many consumers are apprehensive of using their credit and debit cards over the internet because of the perceived risk of frauds. They do not shop online because they do not trust online payment systems. Banks would need to address these issues effectively if they have to remain customer centric.

Conclusion

Indian Banks have leveraged technology and introduced innovative banking products and services to attract and retain customers. Several variants of traditional products have been introduced to cater to different strata of customers. While ATM has become popular among the customers for cash withdrawals, other services like mobile banking and internet banking are sub-optimally used.

Customer's foot prints in bank branches continue to be fairly high especially in public sector banks. It is time banks examine the extent of usage of their products and services. Another important factor that has emerged from the study is that merely rolling out products is no sufficient consumers have to be educated on how to use them.

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