

Challenges of New Generation Bank in Providing E-Banking Service to the Customers in Cuddalore District

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Abstract

The banking sector plays a vital role in the development of our nation's economy. The growth of the banking sector depends upon the services provided by them to the customers in various aspects. The quality of technology in banking services has become a major area of attention among researches and bankers due to its strong impact on business performance, profitability and customer service delivery. Hence, banks now consider online banking as part of their strategic plan. The present study aims to examine the various problems in usage of technology in banking services such as ATM services and internet banking services.

Key words: ATM services, internet banking services, customer satisfaction, customer retention.

Introduction

The bank sector is a good barometer of the economy. It plays a major role in the development of our economy. It is one of the leading and dominative sectors in India. Especially the private sector banks has been assigned the role of providing support to other economic sectors such as agriculture, small scale industries, exports and banking activities in the urban and limited of semi-urban centers. In the era of globalization customers have more rights to choose right product according to their profile, opportunities available for their money "customer is king". In this competitive era of service industry customers hold power to choose the best and having maximum opportunities with the wide range of product with the variety of service with different schemes. In today's fast moving life and highly competitive environment, the banking sector has to understand and analyze the customer's perception and requirements for service quality. A big challenge facing private sector banks is how, under the current situation, to keep customers than to acquire new ones. The costs of acquiring customers to replace those who have been lost are high. Banks are not only competing among each other but also with non-banks and other financial institutions. Therefore, customer's retention is potentially an effective tool that banks can use to gain a strategic advantage and service in today's ever increasing banking competitive environment.

Literature of Review

Premadawar (2013) on her study found factors affecting satisfaction are staff knowledge, behavior, online banking, amount charges and language information. Alabart (2012) has focused on e-banking and customer satisfaction in Nigeria and concluded that there is an impact of e-banking on satisfaction of the customer of the banks in Nigeria. Majidkaboli et al. (2011) has done their research on customer satisfaction of the banking customer in Isfahan city. Results were technical knowledge and environment of the bank are main factors which dreads dissatisfaction in Isfahan city.

Statement of research problem

Customers are lifeblood for any business and banking industry is highly service oriented business. This study aims to evaluate the links between problems of technology usage and customer satisfaction level. in this research, the focus is on the customer facing level, this will be done by viewing and assessing the opinion and perspective of the customer

in relation to satisfaction with different service parameters and various service provided by the banks.

Objective of the study

Primary:

1. To analyze the problems in banking services faced by the customers such as ATM services and internet banking services.

Secondary:

1. To prevent the technological development in new generation banking sectors.
2. To analyze the customer satisfaction towards the banking services of the new generation banks in cuddalore town.
3. To identify the problems of technology usage by the customers.
4. To know the expectations of customer in the bank.

Research Methodology

The study is based on both primary and secondary data. The primary data was collected by using structured questionnaire. The main parts of the questionnaire are

- ✓ Personal information
 - ✓ Awareness level of customers
 - ✓ Service quality of customers
 - ✓ Technical problems in banking sectors
1. To meet up the objectives of study 100 customers were selected as sample unit.
 2. The secondary data were collected from books, web portal and RBI bulletins.
 3. The study was conducted in cuddalore branch and does not reveal the position of other branches and the whole organization.
 4. Some customers did not answer all questions due to due limitations of study to their time constraints and fear.
 5. The study is limited only to top 4 major branches (ICICI, AXIS, HDFC, Kotak Mahendra) and will include 25 participating customers for each bank.
 6. This is in consideration with the time budget of the researches.

Customer satisfaction

It is important to understand what customer satisfaction actually means. In business circles, the term refers to the kind of products and a service a company provides in order to meet and exceed its customer expectations. The Indian banking sector has seen the entry of a large no of foreign banks with which the Indian banking sector had to face intense competition. Even the private sector banks which were initially doing extremely well are now feeling the heat. In this scenario, it has become very important for the banks to retain their existing customers. It has been a growing trend today, for the banks to move away from a transactional based marketing approach to a relationship based approach that has its core the recognition of the lifetime value of the customer.

Customer retention

Customer retention is a strategy where objectives are to retain a company's customers and to retain the revenue. Contribution primarily, it aims at preventing customers from defecting to alternative banks or going to competition. According to Magson (2008) satisfied customers remains loyal and talk favorably to others about the company and its products. Customer loyalty and retention will depend on the level of satisfaction that the customers receive when either they buy or use the products services. This is highly depends on the quality and customer care services offered by the banks. It is commonly believed that it is more economical to keep customers than to acquire new ones.

The key factors influencing customer's selection of banks include the range of services, rates, fees, and prices are charged (Abratt and Russel, 2009). It is apparent that superior

service alone is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore service excellence, meeting client needs, and providing innovative products are essential to succeed in the banking industry. Most private banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide. Effective customer retention strategies focus on measuring and achieving the following objectives:

1. Maximize customer satisfaction for current customers
2. Identify dissatisfied customers before they leave through a customer retention program.
3. Measure why current customer leave.

Effective customer retention management helps to build the business without losing the friendly face on the business.

Role of new generation banks

New generation banks are not just banks who are involved in the implementing a new strategy for the sake of survival. But banks who are involved in the process of creating a paradigm shift to outcome the ever changing market requirements and customer preferences by the way they organize the internal and external activities and initiatives by considering traditional human values and using modern technology. That may result in creating larger revenues by properly investing and managing the funds to create optimum profit and goodwill for the long run for the business can be considered and proved as sustainable. The banks were quickly responded to the changes in the industry, especially the new generation banks. The continuance of the trend has re-defined and re-engineered the banking operations as whole with more customization through leveraging technology. As technology makes banking convenient, customers can access banking services and do banking transactions any time and from anywhere. The important of physical branches is going down.

Society For World Wide Interbank Financial Telecommunication (SWIFT): SWIFT is a method of sophisticated message transmission of international repute. This is highly cost effective, reliable and safe means of fund transfer. This network also facilitates the transfer of messages relating to fixed deposit, interest payment, debit, credit statement, foreign exchange etc,. This service is available throughout the year, 24 hours a day. Moreover this system ensure against any loss of mutilation against transmission. SWIFT has extended its range to users like brokers, trust and other agents.

Chip Card: The customer of the bank is provided with a special type of credit card which bears customer's name, code etc,. The credit amount of the customer account is written on the card with magnetic method. The computer can read these magnetic spots, when the customer uses this card, the credit amount written on the card starts decreasing. After use of number of times, at one stage, the main balance becomes nil on the card. At that juncture, the card is of no use. The customer has to deposit cash in his account for re-use of the card. Again the credit amount is written on the card by magnetic means.

Any Where Banking: With expansion of technology, it is now possible to obtain financial details from the banks from remote locations. Basic transaction can be effected from faraway places. ATM plays an important role in providing remote services to customer's withdrawals from other stations have been possible due to inter-station connectivity of ATM's. The Rangarajan committee had also suggested the installation of ATM at non-branch location, airport, hotels, railway stations, office computers; remote banking is being further extended to the customer's office and home.

Voice Mail: Talking of answering systems there are several banks mainly foreign banks now offering very advanced touch tone telephone answering services which route the customer call directly to the department concerned and allow the customer to leave a message for the concerned desk or department, if the person is not available.

KIOSKS: Information kiosks can now also provide services such as standing order maintenance providing loans quotes, passbook printing, document scanning and statement printing.

Statistical analysis

The collected data was analyzed and interpreted using statistical package for social sciences (SPSS). For the analysis of the data, the statistical tools employed are, percentage analysis, cross tabulation, chi-square test, factor analysis

Result and Discussion

Table 1. Personal details of the respondents

particulars	Number of Respondents	Percentage
Age group		
Below 25 years	14	14.00
25 to 35 years	21	21.00
35 to 45 years	27	27.00
45 to 55 years	20	20.00
55 and Above	18	18.00
Total	100	100.00
Gender		
Male	64	64.00
female	36	36.00
Total	100	100.00
Educational Qualification		
Below SSLC	07	07.00
SSLC/HSC/PUC	16	16.00
UG/PG	28	28.00
Professional	40	40.00
Others	09	09.00
Total	100	100.00
Occupation		
Clerical staff	19	19.00
Cashier/Head cashier	24	24.00
Deputy Manager/ Manager	22	22.00
Probationary officer	25	25.00
Others	10	10.00
Total	100	100.00
Size of monthly income (in Rs)		
Below 25,000	17	17.00
25, 000 to50, 000	32	32.00
50, 000 to 75,000	24	24.00
75,000 to 1,00,000	18	18.00
1,00,000 and above	09	09.00
Total	100	100.00

Nature of the account with the bank		
Savings A/C	39	39.00
Current A/C	14	14.00
Term deposit	17	17.00
Recurring Deposits	22	22.00
Others	08	08.00
Total	100	100.00
Size of investment in year		
Below Rs. 50,000	31	31.00
Rs. 50,000 to Rs. 1, 00,000	34	34.00
Rs. 1, 00,000 to Rs. 5, 00,000	19	19.00
Above Rs. 5, 00,000	16	16.00
Total	100	100.00

Source: Primary data

Data analysis and interpretation

Hypothesis:

H0: there is no significant relationship between ATM services and customer satisfaction.

H1: there is a significant relationship between ATM services and customer satisfaction.

Table 2: ATM Problems

Problems	Frequently	Hardly ever	Not at all					
Cards get blocked	10	51	39					
Machine out of cash	43	30	27					
Non printing of statement	50	30	20					
Machine out of order	32	48	20					
long waiting time in queues	10	40	50					
Reduction in balance without cash Payment	10	51	39					
ONE WAY ANOVA (Descriptive)								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Frequently	155	3.1226	1.25530	.10083	2.9234	3.3218	1.00	6.00
Hardly ever	250	3.5960	1.80605	.11422	3.3710	3.8210	1.00	6.00
Not at all	195	3.6769	1.85095	.13255	3.4155	3.9383	1.00	6.00
Total	600	3.5000	1.70925	.06978	3.3630	3.6370	1.00	6.00

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	30.487	2	15.243	5.292	.005
Within Groups	1719.513	597	2.880		
Total	1750.000	599			

Inference

F-test at 5% significance level, the ATM services and customer satisfaction of the new generation bank is 5.292 but table value at is 5.0503. Hence the null hypothesis is rejected. There is significant relationship between ATM services and customer satisfaction.

Hypothesis

H0: there is no significant relationship between internet banking services and customer satisfaction.

H1: there is a significant relationship between internet banking services and customer satisfaction.

Table 3: Internet Banking Problems

Problem	Frequently	Hardly ever	Not at all
Not providing information	10	38	52
Not being able to maintain security	20	32	48
Not giving fast response	10	40	50
Leaving the operation unfinished	10	40	50
Internet banking can be tampered with by others	10	38	52
Waiting for long time for conducting of transactions	18	33	49
Too many steps in processing transaction	10	52	38

One Way Anova (Descriptives)

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Frequently	88	3.9545	2.01094	.21437	3.5285	4.3806	1.00	7.00
Hardly ever	273	4.1538	2.04862	.12399	3.9097	4.3979	1.00	7.00
Not at all	339	3.8879	1.95795	.10634	3.6787	4.0971	1.00	7.00
Total	700	4.0000	2.00143	.07565	3.8515	4.1485	1.00	7.00

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	10.903	2	5.451	1.362	.257
Within Groups	2789.097	697	4.002		
Total	2800.000	699			

Inference

F test at 5% significant level, the internet banking service and customer satisfaction of the new generation bank is 1.362 but table value is 5.0503. Hence null hypothesis is accepted. There is no significant relationship between internet banking services and customer satisfaction.

Discussion of Findings

- ✓ The result of the study reveals that there is significant relationship between ATM services and customer satisfaction. Out of 100 respondent 51% of respondent felt cards gets blocked hardly ever. 50% of respondent felt the problems of non printing of statement frequently. 50% of respondent never opined that the problem of long waiting time in queues except the demonstration period. 51% of respondents felt the problem of reduction in balance without cash payment.
- ✓ The study reveals that there is no significant relationship between internet banking services and customer satisfaction.
- ✓ Out of 100 respondent 52% respondent never felt any problems in providing information in internet banking services.
- ✓ 50% of respondent felt that the internet banking services gives fast response.
- ✓ 52% of respondent that is majority of the respondent felt the problems of too many steps in processing in transaction while using internet banking services.

Suggestions

The bank can make their customers to enjoy the following benefits at their convenience in ATM and internet banking services.

- ✓ 24 hour access to cash
- ✓ Personalized cash withdrawals
- ✓ View account balance and mini statement
- ✓ Change ATM pin
- ✓ Deposit cash or cheques
- ✓ Transfer of funds between accounts.

Banking becomes a pleasure as the transactions and services become instant with online banking. Banks can give the following novel internet services

- ✓ Book ticket online
- ✓ Transfer of funds
- ✓ Lock or activate debit or credit cards
- ✓ Request cheque book
- ✓ Stop payment

Conclusion

A new generation bank plays a pivotal role for a country's economic development. This study examined the problems in usage of technology such as ATM services and internet

banking services in new generation banks. The result showed that the customers were given more importance to modern looking equipment, prompt services and safe transaction. Hence banks should pay more attentions to these services. Moreover now a day's bank customer needs changing due to technological advancement. Hence, the management must come forward to develop the new strategy in technology to attract and satisfy the customer and to retain them.

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