

Electronic Banking-Curving A New Path of Innovation for Customer Satisfaction in Banking Sector

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Abstract: With the rapid set of modernization in commercial products, financial institutions are also not left out from modernizing their business structure. Recent innovation in internet technology has curved the path for a banks to provide customer satisfaction to the customer. One such innovative product in banking is electronic banking (e-banking) that is the prime focus of this paper. Banks began to look at e-banking as a means to replace some of their traditional branch functions. E-banking products/services like ATM and electronic funds transfer were a source of differentiation for banks that utilized them. The fast developments in the technology sector for last two decades enforce the banking sector to introduce E-Banking operation for the sustainable growth and expansion in the competitive environment. E-banking can improve a bank's efficiency and competitiveness, so that existing and potential customers can benefit from a greater degree of convenience in effecting transactions. This paper helps to understand about E-banking along with their benefits to banks as well as to customers that helps to improve customer satisfaction.

Keywords: E- banking, Customer, Customer-satisfaction, Technology.

I. INTRODUCTION

Information Technology has become a necessary tool in today's organizations. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use IT. IT has introduced new business paradigm. It is increasingly playing a significant role in improving the services in the banking industry. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Every segment of society is rapidly adopting the modern information technology. In the financial sector, last few decades have been under the continuous impact of liberalization and modernization. E Banking system enables Financial Institutions, Customers, Individuals and Businessmen to access accounts, transact business and obtain information on financial products and services through the public or private network including the Internet. Under the impact of the new technologies, new types of banking services have risen with which the financial markets became more dilute and more efficient Banking system, in line with other segments of society is rapidly adopting this latest information technology in day-to-day work, which has been given the name of E-Banking system. E-Banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting an institution. Automatically personalized, cheap, timely, convenient and highly secured are some of the advantages of wireless solutions which are all present in E-banking and differentiate E-Banking from the Traditional banking. E Banking is defined as the automated delivery of new and traditional banking products and services directly to the customers through electronic, interactive communication channels. E-Banking system enables Financial Institutions, Customers, Individuals and Businessmen to access accounts, transact business and obtain information on financial products and services through the public or private network including the Internet. Customers access E-banking services using an intelligent electronic device, such as personal computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine (ATM) and Touch Tone Telephone (TTT). Banks use E-Banking facilities to offer a wide range of products and services. Financial Institutions that choose not to offer E- Banking service, cause risk to their business and loss of customers that are absorbed by the competitor Banks that embraced the technology in the business. Along with opportunities, e-banking generates extended risks for financial institutions.

II. DEFINITION OF E- BANKING

The concept of electronic banking has been defined in many ways. Daniel defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be use with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. Pikkarainen et al define internet banking as an "internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments". With the exception of cash withdrawals, internet banking gives customers access to almost any type of banking transaction at the click of a mouse. Indeed the use of the internet as a new alternative channel for the distribution of financial services has become a competitive necessity instead of just a way to achieve competitive advantage with the advent of globalization and fiercer competition Banks use online banking as it is one of the cheapest delivery channels for banking products. Such service also saves the time and money of the bank with an added benefit of minimizing the likelihood of committing errors by bank. It is believes that the supply of internet banking services enables banks to establish and extend their relationship with the customers. There are other numerous advantages to banks offered by online banking such as mass customization to suit the likes of each user, innovation of new products and services, more effective marketing and communication at lower costs development of non-core products Such as insurance and stock brokerage as an expansion strategy, improved market image, better and quicker response to market evolution . Many banks want to invest in ATMs to reduce branch cost since customers prefer to use them instead of a branch to transact business. The financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transactions. The value proposition however, is a significant increase in the intangible item "customer satisfaction". An E-banking service has become one of the most important factors in the business economy today.

III. CUSTOMER SATISFACTION

Customer satisfaction is actually a term most widely used in the business and commerce industry. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long-term business success. It also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national. Companies that have a more satisfied customer base also experience higher economic returns. Consequently, higher customer satisfaction leads to greater customer loyalty which in turn leads to higher future revenue. For that matter, many market leaders are found to be highly superior-customer-service orientated. They have been rewarded with high revenue and customer retention as well. For that matter, organizations in the same market sector are compelled to assess the quality of the services that they provide in order to attract and retain their customers. Apparently, many researchers conceptualize customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation. There are two general conceptualizations of satisfaction here, namely, the transaction specific satisfaction and the cumulative satisfaction. Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service. This reaction is expressed by the customer who experiences a product or service for the first time. Meanwhile, cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date an own accumulation of contacts with services provided them from day-to-day. It is from this accumulation that customers establish a personal standard which is used to gauge service quality. However, in general, it is agreed that customer satisfaction measurement is a post-consumption assessment by the user, about the products or services gained.

IV. FACTORS AFFECTING E-BANKING PRACTICES

▪ Accessibility:

Accessibility defines as the ability of users to access information and services from the web is dependent on many factors. These include the content format; the user's hardware, software and settings; internet connections; the environmental conditions and the user's abilities and disabilities. For example, providing a text equivalent for image content of a web page, allows users with some visual disabilities access to the information via a screen reader. The techniques and approaches that create more accessible web pages for people with disabilities also address many other access issues such as download speed and discoverability.

▪ **Convenience:**

E-banking provides higher degree of convenience that enables customers to access internet bank at all times and places. Apart from that, the ease of access of computers is perceived as a measure of relative advantage. There are some service quality determinants that are predominantly satisfiers and others that are predominantly dissatisfiers with the main sources of satisfaction being attentiveness, responsiveness, care and friendliness. The main sources of dissatisfaction are integrity, reliability, responsiveness, availability and functionality.

▪ **Privacy:**

Customers have doubts about the trust ability of the e-bank's privacy policies. Trust has striking influence on user's willingness to engage in online exchanges of money and personal sensitive Information. Privacy is an important dimension that may affect users' intention to adopt e-based transaction systems.

▪ **Security:**

Assurance about security relates to the extent to which the web site guarantees the safety of customers` financial and personal information, an area which has witnessed a proliferation of research interest. Security can be assured by providing a privacy statement and information about the security of the shopping mechanisms and by displaying the logos of trusted third parties. All transactions occur on a secure server of a bank via the internet. The bank has all of the required data and software to execute the transactions. Customers go the bank's Web site, log in, and then take advantage of the bank's internet services. Typical bank services are account access and review, transfers of funds between accounts, bill payment, and then a widening variety of new services and products.

▪ **Design:**

The goal of aesthetic design is to make a web site visually attractive and enjoyable. Proctor et al discussed content preparation in a broad sense and identified its four aspects: knowledge elicitation, information organization and structure, information retrieval, and information presentation. During design, and prior to implementation, it is strongly recommended that users of different ages, and with a range of capabilities and limitations be engaged to trial the new service and provide feedback. Financial institutions should test accessibility of their customer websites with both automated tools and user accessibility trials.

▪ **Speed:**

Hoffman and Novak find that there is a significant correlation between download speed and user satisfaction. Speed of download depends on the nature of the site downloaded content, the computing hardware and method of connection used to download information. Most sites demonstration is small snapshots, and some users have to download the program in order to view the demonstration. Most people perceive downloading may import unwanted viruses, and consume hard disk space.

▪ **Fees and Charges:**

Service quality attributes in e-banking industry are important since human internet interaction is the main service delivery and communication channel. Offering high quality services to satisfy consumers' needs, at lower costs, are potential competitive advantage of e-banking. Some studies show that e-banking has successfully reduced operating and administrative costs Cost savings have helped e-based banks offer lower or no service fees, and offer higher interest rates on interest-bearing accounts than traditional banks.

V. 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

- 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.

VI. E-BANKING IN INDIA

In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian Banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. A high level Committee under chairmanship of Dr. K.C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the "IT Vision Document- 2011-17" for the Reserve Bank and banks which provides an indicative road map for enhanced usage of IT in the banking sector. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in the adoption of e-banking. Indian banks offer to their customers following e-banking products and services:

- Automated Teller Machines (ATMs)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele-banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

- The three broad facilities that e-banking offers are:
- Convenience- Complete your banking at your convenience in the comfort of your home.
- No more Qs- There are no queues at an online bank.
- 24x7 service- Bank online services is provided 24 hours a day, 7 days a week and 52 weeks a year.

VII. CONCLUSION

In India, E-banking is in a nascent stage. No doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still masses are wary of the concept. Banks are making sincere efforts to popularise the e-banking services and products. Younger generation is beginning to see the convenience and benefits if e-banking. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

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