



CUSTOMERS' PERCEPTION ON E-BANKING SERVICES

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Abstract

Consumer is the ultimate decider of success or failure of the business. The consumer role is very important to determine the quality and the improvement of businesses. The explosion in the use of the Internet has paved the way for several path-breaking innovations. One of the most interesting and exciting aspects of this evolution is the emergence of e-banking as a mainstream and viable alternative to more traditional methods of businesses being conducted today. The e-banking has provided tremendous transformation in traditional banking system. And the application of e-banking not only benefited the banks to reduce the risks of operations but also made the customers to do transactions with ease. But, the understandability and awareness of e-banking is still a big question mark for the banks. Many customers having literacy also not able to utilize the complete services that can be availed through e-banking. Hence, the present paper will make a comparative analysis on the perceptions and awareness of the customers over the e-banking applications. The paper further investigates the comparative study on urban and rural customers selected from Warangal District.

Key Words: *EFT, Debit Card, ATM, online shopping, e-booking.*

I. Introduction

The introduction of new technologies has radically transformed banking transactions. In the past, customers had to come physically into the bank branch to do banking transactions including transfers, deposits and withdrawals. Banks had to employ several tellers to physically make all those transactions. Automatic Teller Machines (ATMs) were then introduced which allowed people to do their banking on their own, practically anytime and anywhere. This helped the banks cut down on the number of tellers and focus on managing money. The Internet then brought another venue with which customers could do banking, reducing the need for ATMs. Online banking allowed customers to do financial transactions from their PCs at home via Internet. Now, with the emergence of Wireless Application Protocol (WAP) technology, banks can use the infrastructure and applications developed for the Internet and move it to mobile phones. Now people no longer have to be tied to a desktop PC to do their banking. The WAP interface is much faster and convenient than the Internet, allowing customers to see account details, transaction details, make bill payments, and even check credit card balance. The cost of the average payment transaction on the Internet is minimum. Several studies found that the estimated transaction cost through mobile phone is 16 cents, a fully computerized bank using its own software is 26 cents, a telephone bank is 54 cents, a bank branch, \$1.27, an ATM, 27 cents, and on the Internet it costs just 13 cents. As a result, the use of the Internet for commercial transactions started to gain momentum in 1995. More than 2,000 banks in the world now have transactional websites and the growth of online lending solutions is making them more cost efficient. Recent developments are now encouraging banks to target small businesses as a separate lending category online.

Banks are increasingly building payment infrastructure with various security mechanisms (SSL, SET) because there is tremendous potential for profit, as more and more payments will pass through the Internet. However, the challenge for banks is to offer a payments back-bone system that will be open enough to support multiple payment instruments (credit cards, debit cards, direct debit to accounts, e-checks, digital money etc.) and scalable enough to allow for a stable service regardless of the workload.

The market for Electronic Bill Presentment and Payment (EBPP) is growing. According to a study, 18 million households in the US are expected to pay their bills online by 2003 compared to 2 million households in 2001. As more number of bill payers are getting online, several banks are making efforts to find ways to meet the growing needs of EBPP. Established banks can emerge as key online integrators of customer bills and can capitalize on this high potential market. Growing with the popularity of EBPP is also the paying of multiple bills at a single site known as bill aggregation. Offering online bill payment and aggregation will increase the competitiveness and attractiveness of E-banking services and will allow banks to generate service-fee income from the billers.

II. Need and Importance of the Study

The changing practices in banking system have made the customers to adopt and use the services offered by the banks. But, the applications of e-banking need awareness and most of the customers in India is still preferring to use traditional banking system instead of electronic banking system. In view of these issues, the present paper will throw light on the perceptions of the customers regarding the awareness about e-banking applications. The paper further provides the comparison of awareness of both urban and rural customers about the e-banking applications.



III. Objectives of the Study

The present paper will focus on the following objectives.

1. To study the overview of applications of e-banking over traditional banking system.
2. To examine the awareness of rural and urban customers about the e-banking applications.
3. To ascertain the problems faced by the customers on e-banking applications.
4. Finally, to draw the conclusions and suggestions on the basis of analysis.

IV. Methodology of the Study

The primary data is collected from 75 rural and 75 urban customers selected through convenience sampling method from the Warangal District of Andhra Pradesh State. The secondary data is collected from the existing literature collected from books, magazines, journals, news papers and internet sources.

V. Overview of Applications of E-Banking over Traditional Banking System

Banking sector in the modern era has revolutionized the existing practices. The support of Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work. Under the regime of banking sector reforms, IT Act of 1999 gave new dimensions to the Indian banking sector. IT has created transformation in banking structure, business process, work culture and human resource development. The new evolution in same field is E-Banking i.e. through Electronic channels, such as the telephone, the internet, the cell phone, etc. The concept and scope of E-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors .

Some of the important applications of e-banking which are facilitating the customers (account holders) to get benefit with are given below.

1. Credit Card: A credit card is part of a system of payments named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services. The issuer of the card grants a line of credit to the consumer (or the user) from which the user can borrow money for payment to a merchant or as a cash advance to the user.

2. Debit Card: A debit card (also known as a bank card or check card) is a plastic card that provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic cheque, as the funds are withdrawn directly from either the bank account or from the remaining balance on the card. In some cases, the cards are designed exclusively for use on the Internet, and so there is no physical card.

The use of debit cards has become widespread in many countries and has overtaken the cheque and in some instances cash transactions by volume. Like credit cards, debit cards are used widely for telephone and Internet purchases, and unlike credit cards the funds are transferred from the bearer's bank account instead of having the bearer to pay back on a later date. Debit cards can also allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash and as a cheque guarantee card. Merchants can also offer "cashback"/"cashout" facilities to customers, where a customer can withdraw cash along with their purchase.

3. e-Cash: Electronic Cash (also known as electronic money, electronic currency, digital money, digital cash or digital currency) refers to money or scrip which is exchanged only electronically. Typically, this involves use of computer networks, the internet and digital store value systems. Electronic Funds Transfer (EFT) and direct deposit are examples of electronic money. Also, it is a collective term for financial cryptography and technologies enabling it.

ECash is a legal form of computer-based currency that can be securely purchased and withdrawn by credit card, Cheque, certified cheques, wire transfer, money order and Electronic Cheque Processing (ECP). Users can also deposit to and withdraw from their ECash Direct account using several third-party merchants' payment solutions.

Some of the other important features which are facilitating the e-banking are: Transactional (e.g., performing a financial transaction such as an account to account transfer, paying a bill, wire transfer, apply for a loan, new account, etc.), Payments to third parties, including bill payments and telegraphic/wire transfers, Funds transfers between a customer's own transactional account and savings accounts, Investment purchase or sale, Loan applications and transactions, such as repayments of enrollments, Non-transactional (e.g., online statements, cheque links, co browsing, chat), Viewing recent transactions, Downloading bank statements, for example in PDF format, Viewing images of paid cheques, Financial



Institution Administration, Management of multiple users having varying levels of authority and Transaction approval process etc.

4. Micro Payment Systems: Micropayments are financial transactions involving very small sums of money. PayPal defines a micropayment as a transaction of less than 12 USD and offers less expensive fees for micropayment transactions. A problem that has prevented the emergence of feasible micropayment systems that allow payments of less than a dollar is a need to keep costs for individual transactions low, which is impractical when transacting such small sums, even if the transaction fee is just a few cents.

5. Sessional Level Protocols: Sessional level protocols include a set of rules which is used by computers to communicate with each other across a network. A protocol is a convention or standard that controls or enables the connection, communication, and data transfer between computing endpoints. In its simplest form, a protocol can be defined as the rules governing the syntax, semantics, and synchronization of communication. Protocols may be implemented by hardware, software, or a combination of the two. At the lowest level, a protocol defines the behavior of a hardware connection.

6. Mobile Banking

Mobile banking is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA). The earliest mobile banking services were offered over SMS. With the introduction of the first primitive smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started to offer mobile banking on this platform to their customers. Mobile banking has until recently (2010) most often been performed via SMS or the Mobile Web.

Mobile banking in India is set to explode - approximately 43 million urban Indians used their mobile phones to access banking services during quarter ending August, 2009, a reach of 15% among urban Indian mobile phone user. Checking account balances is the most popular banking service used by urban Indians with almost 40 million users followed by checking last three transactions, 28 million and status of cheques with 21 million users.

Usage	Unique Users (In millions)
Used mobile banking	43.70
Checking account balance	39.97
View last three transactions	28.15
Status of cheques	21.06
Payment reminders	20.92
Request a cheque book	19.11

Mobile banking is popular among the Rs.1 to 5 lakhs per year income group with almost 60% of mobile banking users falling in the income bracket, an indicator of adoption of this service by younger generation.

7. Electronic Payment Services – E Cheques

Now-a-days we are hearing about e-governance, e-mail, e-commerce, e-tail etc. In the same manner, a new technology is being developed in US for introduction of e-cheque, which will eventually replace the conventional paper cheque. India, as harbinger to the introduction of e-cheque, the Negotiable Instruments Act has already been amended to include; Truncated cheque and E-cheque instruments.

8. Real Time Gross Settlement (RTGS)

Real Time Gross Settlement system, introduced in India since March 2004, is a system through which electronics instructions can be given by banks to transfer funds from their account to the account of another bank. The RTGS system is maintained and operated by the RBI and provides a means of efficient and faster funds transfer among banks facilitating their financial operations. As the name suggests, funds transfer between banks takes place on a ‘Real Time’ basis. Therefore, money can



reach the beneficiary instantaneously and the beneficiary's bank has the responsibility to credit the beneficiary's account within two hours.

9. Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) is a system whereby anyone who wants to make payment to another person/company etc. can approach his bank and make cash payment or give instructions/authorization to transfer funds directly from his own account to the bank account of the receiver/beneficiary. Complete details such as the receiver's name, bank account number, account type (savings or current account), bank name, city, branch name etc. should be furnished to the bank at the time of requesting for such transfers so that the amount reaches the beneficiaries' account correctly and faster. RBI is the service provider of EFT.

10. Electronic Clearing Service (ECS)

Electronic Clearing Service is a retail payment system that can be used to make bulk payments/receipts of a similar nature especially where each individual payment is of a repetitive nature and of relatively smaller amount. This facility is meant for companies and government departments to make/receive large volumes of payments rather than for funds transfers by individuals.

11. Automatic Teller Machine (ATM)

Automatic Teller Machine is the most popular device in India, which enables the customers to withdraw their money 24 hours a day 7 days a week. It is a device that allows customer who has an ATM card to perform routine banking transactions without interacting with a human teller. In addition to cash withdrawal, ATMs can be used for payment of utility bills, funds transfer between accounts, deposit of cheques and cash into accounts, balance enquiry etc.

12. Point of Sale Terminal

Point of Sale Terminal is a computer terminal that is linked online to the computerized customer information files in a bank and magnetically encoded plastic transaction card that identifies the customer to the computer. During a transaction, the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

13. Tele Banking

Tele Banking facilitates the customer to do entire non-cash related banking on telephone. Under this device Automatic Voice Recorder is used for simpler queries and transactions. For complicated queries and transactions, manned phone terminals are used.

14. Electronic Data Interchange (EDI)

Electronic Data Interchange is the electronic exchange of business documents like purchase order, invoices, shipping notices, receiving advices etc. in a standard, computer processed, universally accepted format between trading partners. EDI can also be used to transmit financial information and payments in electronic form.

VI. Awareness Of Rural And Urban Customers On E-Banking

A comparative study is made to analyze the awareness of rural and urban customers of Warangal District on e-banking. The results are tabulated and given below.

i). Awareness on facilities of e-banking

From the field data and observations from urban and rural customers it is evident that the basic awareness about the use of internet service effectively is very low in the rural segment compared to urban segment. The awareness on using ATM and debit cards for drawing the money resulted that only 317% of the rural customers are having awareness about to use the ATM or debit card for drawing the money. When it comes to urban customers 78% of the urban customers are having the awareness about using the ATM cards.

The following table shows the opinion of the customers on e-banking applications.

Table No.1, Awareness on facilities of e-banking

S.No.	Factors considered for awareness	Awareness	
		Rural Customers	Urban Customers
1.	ATM and debit card usage	Yes -37%, No -63%	Yes -78% , No – 22%
2.	Awareness on Internet banking account	Yes – 17%, No- 83%	Yes – 62%, No – 38%
3.	Awareness on using of online transactions	Yes – 18%, No –	Yes – 48%, No – 52%



		82%	
4.	Awareness on using e-shopping	Yes – 8%, No – 92%	Yes – 43% , No – 57%
5.	Awareness on e-booking facility through online banking system	Yes – 2%, No – 98%	Yes – 43%, No – 57%
6.	Awareness on using mobile for knowing the online transactions	Yes – 11%, No – 89%	Yes – 12 %, No – 88%
7.	Awareness on using mobile banking for online transactions	Yes – 3%, No – 97%	Yes – 29%, No – 71%
8.	Awareness on using Electronic Fund Transfer through e-banking	Yes – 17%, No – 83%	Yes – 51%, No – 49%
9.	Awareness on using e-cash for transactions	Yes – 8%, No – 92%	Yes – 38%, No – 62%
10.	Awareness on using internet service effectively without the assistance of others	Yes – 19%, No – 81%	Yes – 81%, No – 19%

Source: Field Survey

The awareness on internet banking account for transaction resulted that only 17% of the rural customers are having the awareness and 62% of the urban customers opined 'yes' which indicate that they have awareness on using internet banking account. The awareness on using of online transactions through e- banking resulted that only 18% of the rural customers are having the awareness and in 48% of the urban customers are having the awareness of using online transactions. The awareness on using e- shopping through online banking account resulted that only 8% of the customers are having the awareness to use e-banking for e-shopping and 43% of the urban customers are aware about the using e-banking for e-shopping. The awareness on e-booking facility resulted that only 2% of the rural customers are having awareness and using the e-booking facility and in urban segment 43% of the customers are using the e-booking facility. The awareness on using mobile for knowing the online transactions resulted that only 11%of the rural customers are having awareness and 12%of the urban customers are aware about using mobile for knowing the online transactions. The awareness on using mobile banking for online transactions resulted only 3%of the rural customers and 29%of the urban customers are having the awareness about using mobile banking facilities. The awareness on EFT for transactions resulted that only 17%of the rural customers and 51%of the urban customers are having the awareness. The awareness on using e-cash for transactions resulted that 8%of the rural customers and 38% of the urban customers are having the awareness about using e-banking for e-cash transactions.

From the survey it is to point out that clearly the urban customers are far better about using e-banking facilities than compared to rural customers. Further, the basic knowledge about using internet services for the online transactions is lacking in the rural segment compared to the urban segment.

VII. Problems of E-Banking

The e-banking has created tremendous change in the traditional banking system facilitating the customers as well as the bankers with innovative applications. However, the e-banking is suffering from some of the important problems which are identified from the field survey.

1. To awareness of internet applications is one of the major drawbacks for the rural customers. And in most of the cases the middle aged urban customers are also not able to get the services from e-banking.
2. The e-banking has created dilemma over the trust of its applications. For secured transactions, most of the rural customers and urban customers are depending traditional banking system.
3. The banks are lacking the support to the customers and in most of the cases the banks are issuing e-banking features to the customers with out knowing the capability of the customers. Many of times, the customers are unknowing found misused by the people who are having expertise knowledge.
4. The e-banking applications like mobile banking are infancy stage in many regions in Warangal District. The customers lack of knowledge over the advanced applications like online booking system and EFT has created challenges over the applicability of e-banking to the rural and semi urban people.
5. The e-banking was not able to get impression due to heavy dependence on electronic source. The 24X7 availability of electricity is still a major problem for many rural areas and such limitation has creating the basic purpose of e-banking.

VIII. Findings and Suggestions

From the study, it is observed that in most of the cases the rural customers were not able to use the applications of e-banking. Because of the traditional limitations including lack of proper electricity and not having the awareness creating hurdles to use the applications of e-banking. The urban customers comparatively higher in terms of usage of e-banking applications. The



use of internet and mobile as the sources for the e-banking transactions is restricting the customers to not to depend on the e-banking applications compared to traditional banking system. Lack of knowledge in usage of ATM, debit and credit cards are some of the major limitations which are restricting the rural customers to prefer less on e-banking features. By viewing the current situations, the banks must conduct the awareness campaigns for the new customers who take account in their respective banks. Conducting field visits to the rural areas and appointing the representatives in the rural areas will give better results. Further, the banks must co-ordinate its network and must start online centres and ATM centres in the rural villages in order to encourage the people not to take risk of going to the banks in order to do transactions. Further, the banks must ease the applications of e-banking into regional language so as to give the consumer more convenient way to perform online transactions. Further the “Automatic interactive voice response” in the local language will help the rural customers on how to do electronic transactions through internet and from ATM centres.

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