

Privatisation and Modernisation of Indian Banking System, A Special Reference to Internet Banking

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ABSTRACT

Background: Internet banking is a great challenge for the banking industries in past years but it become a revolution in the field of banking and finance. Internet banking facility proves to be very handy for small transactions like balance inquiry, record of recent transaction, etc. Customers differ in their views on, adopting internet banking or banking service due to hackers or risk in handing safe transaction.

Objectives: The purpose of this study was to examine the role of Transmission in Banking Industry. First the study elicits the views of the respondents on internet banking services. Secondly, the shows the purpose for which internet banking is used. Finally the study made to evaluate the factors leading to the satisfaction of the respondents on the usage of internet banking.

Material & Methods: The survey conducted through convenience sampling method drawn a sample of 100 respondents by a detailed questioner. The respondents were asked to state the purpose for which they would like to use internet banking. For this, they are given 25 statements and asked to assign 1st or 2nd or 3rd ranks to these statements based on their views. The services offered by internet banking are classified into seven factors are analyzed by average score.

Result: About 52 percent of the respondents have given the first three ranks to the statement getting mini statement of bank dealing through internet banking and for obtaining loan applications through internet banking. Under, Opinion on services offered by internet banking the respondents were asked to give their opinion on various services offered by the internet banking. Banks are faced with a competitive environment in order to succeed in such market place; they have to offer a wide range of products with the latest technology. Among the respondents internet banking services provide overall satisfaction to 84 percent of users and 16 percent are not satisfied on internet banking services they prefer to visit the Bank.

Keywords:Internet Banking, Services, opinion of the customer

History of Internet Banking in India

In the early 80's, a high level Committee was formed under the chairmanship of Dr. C. Rangarajan, then Governor of the Reserve Bank of India, to draw up a phased plan for computerization and mechanization in the banking industry over a five year time frame of 1985-89. The focus by this time was on customer service and two models of branch automation were developed and implemented. Having gained experience in the earlier mode of computerization, the second Rangarajan Committee constituted in 1988 drew up a detailed perspective plan for computerization of banks and for extension of automation to other areas like funds transfer, e-mail, BANKNET, SWIFT, ATMs, Internet banking etc. From 90s the globalization and liberalization measures brought in a completely new operating environment to the banks. Information technology (IT) has transformed the functioning of business, the world over. The Reserve Bank of India set up two Committees in quick succession to accelerate the pace of automation of operations in the banking sector. Services and products like Anywhere Banking, Tele-Banking, Internet Banking, Web Banking, E-Banking, etc. have become the buzzwords of the day and the banks are trying to cope with the competition by offering innovative and attractively packaged technology based services to their customers.

The Government of India enacted the Information Technology Act, 2000, generally known as IT Act, 2000, with effect from the 17th October 2000 to provide legal recognition to electronic transactions and other means of Electronic Commerce. Today, Indian banking industry is in the core of an information technology (IT) revolution. The financial reforms that were set up a Working Group on Internet Banking to examine different aspects of Internet banking (I-banking). The Group had focused on three major areas of I-banking i.e., (i) technology and security issues, (ii) legal issues and (iii) regulatory and supervisory issues.

INTRODUCTION

Internet banking (IB) is also known as 'online banking' or 'net banking'. Internet banking can be defined as a facility provided by banking and financial institutions that enable the user to execute bank related transactions through Internet. The biggest advantage of Internet banking is that people can expend the services sitting at home, to transact business.

In many developed countries accept the fact that it is the cheapest way of providing banking service. Banks view internet banking as a powerful "value added" tool to retain and

attract new customers and to eliminate costly paper handling is an in an increasingly competitive banking environment.

In the last 10 years, technology has driven competitive advantage in the banking industry. The banks, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and service. Multinational and private sector banks in India have been very successful to online services. This is mainly because these banks already had a robust automated banking environment on which they could build the online banking infrastructure. Most multinational banks already have efficient online banking infrastructures running in other countries, which could be emulated in India.

Review of literature

Daniel (1999) defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. Electronic banking is also commonly known as internet banking or e-banking. Internet Banking is defined as “the delivery of banking services through the open-access computer network (the internet) directly to customer’s home or private address”.

Ibrahim et al (2006), viewed internet banking as the simplest form of electronic banking which means the provision of information about the bank and its products via a page on the internet.

Nelson and Richmond(2007), defined internet banking (IB) as one which use the internet (web) as a remote delivery channel for banking services, such as opening a deposit account or transferring funds at different accounts etc. Further, IB is a desirable opportunity for banks, where the key to success is customer adoption.To sum up internet banking is the automated delivery of banking products and services through electronic interactive communication channels.

GuangyingHua (2009), made a study on “An Empirical Investigation of Online Banking Adoption in China”. Online banking, an internet based service enabling people to do financial transactions, has been an obstacle for the development of e-commerce in China. This paper investigated the online banking acceptance in China. The author conducted an experiment to investigate how users’ perception about online banking is affected by the perceived ease of use of website and the privacy policy provided by the online banking

website. The study found that both perceived ease of use and privacy policy had a significant impact on users' adoption of online banking. This study, also investigated the relative importance of perceived ease of use, privacy, and security. Perceived ease of use is of less importance than privacy and security. Security is the most important factor influencing users' adoption.

Hua (2009) reported that online banking is the most important way to reduce cost and maintain or enhance services for consumers.

MelekAcarBoyacioglu, TefvikHadiHotamis and Huseyin Cetin (2010), had examined "The evaluation of internet banking in Turkey", to analyze the performance of Turkish banks in terms of providing banking products and services through their web sites. A representative sample of 22banks operating in Turkey was included in this studyIt was concluded that the clients who found IB easy and thought that it served their purpose had been using IB for a longer time. On the other hand, usefulness, web security and personal views did not have a significant influence on the duration of IB use.

Objectives

1. To elicit the views of the respondents on internet banking services.
2. To estimate the purpose for which internet banking is used.
3. To assess the all factors leading to the overall satisfaction of the respondents on the usage of internet banking.

Methodology

The study aims to explore the customer's adoption on internet banking services. For this purpose the respondents were selected through convenience sampling method a non-probability sampling technique. By adopting this method, sample units might be drawn from the population which is near to hand. The data for this study was collected from a sample of 100 respondents are users' of internet banking and. A detailed questionnaire which covers the information on the bank details and the views of the respondents on the characteristics of internet banking was administrated to the respondents. The data for the study where collected from the respondents dwells in Coimbatore City.

Data Analysis

The collected date were analysed using the following techniques

- Likert 5 point rating scale

- Factor analysis
- Percentages and averages

The data were analysed using SPSS 11.5 package.

Likert 5 point rating scale

The respondents were asked to give their opinion on various features of internet banking in Likert 5 point rating scale. They were asked to report their views as either 'strongly agree' or 'agree' or 'neutral' or 'disagree' or 'strongly disagree'. Scores were assigned as '5', '4', '3', '2' and '1' respectively.

Factor analysis

The customers' views on the various features of internet banking were elicited through seven factors of statements. The statements are resolved into fewer factors using factor analysis. In the process only those statements having their communalities greater than one were considered. The percentage variations due to these variables were obtained. Those variables for which the eigen values exceeded one were retained in the analysis. Using varimax rotation, factors were extracted.

The reliability of the statements under different headings was tested by finding out the alpha values.

Percentages and averages scores

In the course of the study, percentages, averages were also used.

Result and discussion

1. Purpose of using internet bank

The respondents were asked to state the purpose for which they would like to use internet banking. For this, they are given 25 statements. These statements were broadly classified under three headings namely; basic level, intermediate level and advanced level. The statements included under basic level are (i) balance enquiry, (ii) account details, (iii) mini statement, (iv) loan application, (v) opening account, (vi) receiving alerts and (vii) internet banking demo. The statements included under intermediate level are (viii) tax advisory advice, (ix) bill payment, (x) online shopping, (xi) mobile recharge, (xii) booking ticket, (xiii) fund transfer to account, (xiv) cheque status, (xv) e-shopping, (xvi) credit card payments, (xvii) insurance and (xvii) loan payments. The statements included under

advanced level are (xix) online cash management, (xx) online trading, (xxi) brokerage, (xxii) investment, (xxiii) fund transfer to other account, (xxiv) stop cheques, and (xxv) foreign exchange services.

The respondents were asked assign 1st or 2nd or 3rd ranks to these statements based on their views. The following table gives the ranks assigned to these statements by the respondents. For many statements; the response was gave less importants.

TABLE – I

IB SERVICES ADOPTED BY THE CUSTOMERS

INTERACTIVITY LEVEL & DIMENSIONS	1ST RANK	2ND RANK	3RD RANK
BASIC LEVEL:			
Balance Enquiry	9	5	6
Account Details	11	7	9
Mini Statement	7	12	7
Loan Applications	7	12	7
Opening Account	0	1	0
Receive Alerts	2	2	4
Internet Banking Demo	2	3	2
INTERMEDIATE LEVEL:			
Tax Advisory Service	2	2	3
Bill Payment	3	1	4
Online Shopping	1	3	5
Mobile Re-Charge	11	7	9
Booking Tickets	1	1	1
Fund Transfer To Account	0	0	0
Cheque Status	0	0	0
E-Shopping	0	0	0
Credit Card Payments	0	0	1
Insurance	0	0	0
Loan Payments	0	1	0

ADVANCED LEVEL:			
Online Cash Management	2	0	0
Online Trading	0	1	0
Brokerage	0	0	1
Investment	1	0	0
Fund Transfer To Other Account	0	0	0
Stop Cheques	1	0	0
Foreign Exchange Services	0	0	0

Source: Field survey, 2020.

The table reveals that a maximum of 22 percent of the respondents stated that the main purpose for which they use internet banking is to get account details and for mobile recharge. They have given I rank to this factor. About 14 percent of the respondents have given 2nd rank to get account details through internet banking and 18 percent 3rd rank for the same. Altogether 54 percent of the respondents have given the first three ranks to this factor.

Similarly 14 percent of the respondents have given 2nd rank for mobile recharge and 18 percent 3rd rank for it. Totally 54 percent of the respondents have given the first three ranks to this factor.

About 52 percent of the respondents have given the first three ranks to the statement getting mini statement of bank dealing through internet banking and for obtaining loan applications through internet banking first rank for these factors were given by 14 percent of the respondents, 24 percent 2nd rank and 14 percent 3rd rank. Among 25 statements, 1st and 2nd ranks were assigned only for 14 statements, 3 rank for 13 statements. The 1st ranks were not assigned to 6 statements.

2.Opinion on services offered by internet banking:

The respondents were asked to give their opinion on various services offered by the internet banking. The details on the type of services rendered by the internet banking are given in the following table. The services offered by internet banking are classified into seven factors Reliability, Speedy, User friendly, Facilitator, Multi-tasking, Security, Effectiveness. The respondents were asked to state whether they strongly agree or agree or neutral or disagree or strongly disagree to the statements. The value assigned for these statements are 2, 1, 0,-1 and -2 respectively. The average score assigned for the services were calculated and are given in the following table.

For none of the statements the respondents ‘strongly agree’ on the services offered by the internet banking. For all the statements on the services offered by internet banking, the respondents either agree or neutral in their views.

TABLE-II
PERCENTAGE VARIANCE EXPLAINED

Factor	Eigen Value	% Variance	Cumulative%
F1	14.770	43.441	43.441
F2	3.530	10.381	53.822
F3	2.582	7.595	61.417
F4	1.579	4.644	66.061
F5	1.412	4.152	70.213
F6	1.344	3.952	74.165
F7	1.031	3.031	77.196

Source: Estimation based on field survey, 2020.

From the table it could be seen that the seven extracted factors could explain about 77 percentage of the total variance explained by all the 7 factors. Using vaimax rotation, the factor scores are represents

43% - **“Reliability”** of using internet banking.

54% - **“Speedy”** of using internet banking.

61% - **“User friendly”** of using internet banking.

66% - **“Facilitator”** of using internet banking.

70% - **“Multi tasking”** in the use of internet banking.

74% - **“Security”** in the use of internet banking.

77% - **“Effectiveness”** in the use of internet banking.

3. Overall Satisfaction of the Respondents on the Usage of Internet Banking

TABLE-III**Overall Satisfaction of the Respondents on the Usage of Internet Banking**

Overall Services Provide Through Internet Banking	INTERNET BANKING SERVICES		TOTAL
	SATISFIED	NOT SATISFIED	
Number	84	16	100
%	84	16	100

Source: Field survey, 2020

Among the respondents internet banking services provide overall satisfaction to 84 percent of users and 16 percent are not satisfied on internet banking services. Further from the data given in the above table among the users of internet banking, 84 respondents are satisfied with internet banking services and only 16 respondents need more facilities.

Conclusion

Banks are faced with a competitive environment in order to succeed in such market place; they have to offer a wide range of products with the latest technology. The maximum respondents stated that the main purpose for which they use internet banking is to get account details and for mobile recharge and to get account details through internet banking About 52 percent of the respondents have given the first three ranks to the statement getting mini statement of bank dealing through internet banking and for obtaining loan applications through internet banking first rank for these factors .Under, Opinion on services offered by internet banking the respondents were asked to give their opinion on various services offered by the internet banking. It was being seen that the seven extracted factors could explain about 77 percentage of the total variance explained into fewer factors. Among the users of internet banking, 84 respondents are satisfied with internet banking services and only 16 respondents need more facilities.

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