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## **CUSTOMERS' PERCEPTION OF E-BANKING SERVICE IN INDIAN BANKS: A COMPARATIVE STUDY OF TRADITIONAL BANKING & E-BANKING**

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### **ABSTRACT**

*New information technology and emerging business forces have triggered a new wave of financial innovation-E-Banking. The E-Banking have changed the way of conducting business transaction and meeting the growing demand of customers for most organization. Internet has a big role in E-banking. In E-Banking, internet tool has been applied for convenience of banker or for customer's convenience. But ultimately its contributes in increasing the efficiency of the banking operation as well providing more convenience to customer such as to increase customer base, reduce transaction cost, improve the quality and timeliness of response, enhance opportunities for advertising and branding, facilitate self service customization and improve customer communication and relationship. This could potentially result in productivity and economic welfare. E-banking reduce the physical presence of customer at bank. It provides online banking, credit card, other smart card and wide spread use of ATM's for dispensive cash have virtually eliminated the need for client to visit bank branches. The success of the banking industry depends largely on the quality of services that they provide to their customer and the main aim of E-banking is to satisfy their customer by providing number of services.*

**KEYWORDS:** *Customers' perception, Electronic Banking & Online banking.*

### **INTRODUCTION**

Internet banking services mean that any enquiry or transaction should be processed online without going to any branch E-banking is a function of online transaction via the internet. It build an alternative channel by which customer can

easily made a transaction anywhere and reduce their needs for financial intermediaries. The nature of E-banking, security is likely to emerge as the biggest concern among the customers. It helps to transact business in a wider way and so people need not necessarily worry about

security of their account. Therefore, in the e-banking environment, the customer can have full access to relevant financial information. It also allows customers to do more self service for themselves providing greater satisfaction and create awareness toward the E-banking Services.

The internet has destroyed all geographical boundaries enjoyed by customers such as – increase convenience, increase customer base and improved market image, outlets, less expensive and more customer friendly technologies. It also provides customers with efficient time saving and high speed-financial services online. In addition, customer can able to access their bank account is only a click way via the internet. E-banking can be used as a channel to develop long-term customer relationship through ready access to a broad and increasing, array of product, services and low cost shopping, improve the quality rapid response to customer inquires and customized product – service innovation.

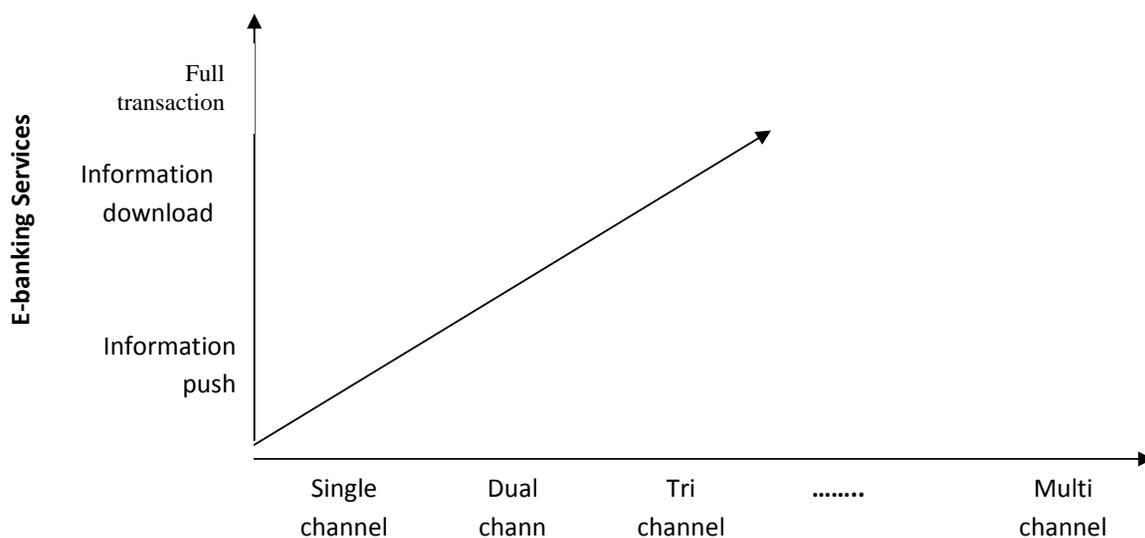
Online or internet banking has emerged as the ultimate answer to survival

in the world order of competition and globalization. Internet banking is changing business models. It is driven largely by the prospect of operating cost of minimization and operating revenue maximization indicated that e-banking is likely to be implemented where the operating overheads of e-banking delivery of bank services are less than the operating cost of delivery of financial services through branch network.

On the basis of customers' perception of E-banking Services found that customer expectations regarding accuracy, security, transactions speed, user friendliness, user involvement are the most important quality factor in perceived usefulness of E-banking. In addition, the customers' acceptance of e-banking greatly depends upon their experience with existing financial services and E-banking Services innovating with technology.

A critical success factor for e-banking is how well it executes customer relationship management between bank and existing customers.

### GENERAL TREND IN E-BANKING EVOLUTION



**ELECTRONIC CHANNELS****DIFFERENCE BETWEEN  
TRADITIONAL BANKING AND  
E-BANKING**

1. Traditional Banking Systems, Carry out with the use of information technologies centering on electronic data interchange (EDI). The EDI provided the computer-to-computer exchange of uniform electronic transaction document and data. Other hand, e-banking is Internet-based computing and wired or wireless networking, which is allow to customers access e-banking services using an electronic device, such as Personal Computer (PC), Personal Digital Assistant (PDA), Automated Teller Machine (ATM), Kiosk Touch Tone Telephone.
2. Traditional banking requires a maximum of interaction with physical existence in a geographical position in order to carry out transaction there. The medium of exchange mainly include cash, check, bank cards etc. Moreover, traditional banking commonly used bank-self audit systems, database access control over the counter contract and face to face or paper-based verification to do minimize the risk of fraud.

In contract, e-banking is a way of on-line transaction via the internet. It construct an alternative channel by which customers can easily make a transaction any-where-anytime

rather than paper or the phone to complete transaction and reduce their need for financial intermediaries.

3. Over the past years, banking service delivery has already been migrating customer from branch based operations to online self services. The nature of the former mainly focuses on internal services such as transactional and administrative functions that agree to bank customers to perform regular financial activities and to conduct standardized business transactions by using branch counters.

In contrast, an e-banking channel is an internal resources whose operation must be maximized, and is an interface to the bank's customer base whose usage should enable customer relation management. Thus, e-banking should be utilized as an integrated delivery channel that not only focuses on transactional and administrative services but also supports more information, financial portal, and self-help services.

4. Banks could make available additional industrial and financial information market research reports, financial planning software, and other value-added services. In addition, banks can use collaborative filtering to offer recommendation based on past transaction profile or customer communication and tailor the service to the customers.

Therefore, in the E-banking upbringing, the customer can have full right to use relevant financial information, and needs no longer to rely on the service personnel at the branch office. It also allows customer to do more self-service for themselves, given that greater satisfaction.

5. Traditional banking is a way of person-to-person service delivery over the counter. It views the customer as a reactive participant in the transaction process until the time of the transaction.

Conversely, e-banking services are shows potential promising customized services personalized to customer need. Such services delivery considers the customer as an active participant at every stage of the transaction process, and as the co-producer of the financial product and service offerings.

6. The traditional banking services which focus on expressed needs as stated by customers, or the bank's perception of customer demands, customized services focus on both articulated and unarticulated needs by guiding customer's profile and usage samples.

Instead of accepting off-the-self financial product or services, customer can choose their adapted financial services in an e-banking context. However, e-banking offers substitute approaches by which bank can

provide individual offering and services to attract customer interest, increase customer loyalty, and repeat transaction.

7. Traditional banking needs to find a physical presence in a geographical location in order to hand around customers there. The physical outlets is a most easy way of managing money. It can more successfully serve customers with lower IT knowledge and acceptance. Therefore traditional banks are well again able to build customer trust because of their physical presence in the market they serve.

E-banking eliminates physical and geographic restrictions and time borders of traditional banking. It also provides consumers with efficient-time-saving and high speed – financial online. In addition, customers should be able to access rich financial information and services via the internet.

8. The market capacity of traditional banking is restricted within physical market place. In contrast, the size of the prospective customer base is also much smaller. The demographics of traditional banking consumer are as heterogeneous as the general population. They are mainly functionally computer illiterate and technologically unsophisticated users

E-banking consumers are mainly seasoned Internet user and IT literates. In general,

Internet user are generally recent young people and well educated. This age subdivision will attain economic maturity in the near future, to be followed by even more technologically responsive and cyberspace-oriented individuals.

9. In the traditional banking context, bank collect their revenues sources directly from the over the counter product and services they propose.

In term of e-banking, the transactional commissions, servicing charge, advertising revenue and financial information subscriptions are sources of extra revenue.

10. In tradition banking, the value network mainly involves the consumers and financial institutions relating to the banks branch network.

E-banking has unclear the boundaries between banks and other industries.

## REVIEW OF LITERATURE

Vinayagamoorthy, A(2008) (Banking Finance) in his book entitled 'Globalization and Recent Trend in Banking' threw light on changing scenario in banking system. The entry of internet technology infrastructure in the banking system has brought with it many changes. These changes have forced the bank to rethink in term of rapid expansion of Internet Services or facilities, the gap between the banks and customer is automatically reduce as compare to the traditional banking system. The modern E-banking provide many facilities to the customers like – phone banking, ATM,

credit card, smart card, EFT, ECS, D-MAT A/c, EDI, E-cheques. There benefits create the tilt in the banking system from traditional to modern E-banking.

Reddy, S. Raghuntha, Reddy,G. Sudarsana (2005) (Banking Finance, Jan.) Reddy, S. Raghuntha, G. Sudarsana (2005) in their book entitled 'Banking Services Through E-Banking' give emphasis on Banking Services. The Indian banking strategies has more focus on quality, efficient service and profitability by using of sophisticated or high technology for improving customer services, productivity and operational efficiency of bank. The main aim of E-banking focusing on technology up-gradation to find alternate banking practices at lower cost. Technology has always been one of the key thrust areas for the bank. It has provide new product and services like ATM, Banker's automated clearing system (BACS), tele banking services, cash management services, electronic fund transfer.

Deva,Vasu (2005), in his book entitled 'E-Banking' threw light on changes in banking system by entry of internet, that initiated an electronic revolution. The internet is one of the major channel which distribute banking product and services. Due to advances in Internet security and knowledge and awareness of internet among the customer play an important role as financial intermediary of commercial transaction. Through the internet, Electronic finance offers opportunities for all bank to expand their base and rationalize the business at the global extend. E-banking is a powerful tool which allow customer to easy access of all banking information. It has also improve the relationship with customer and to realize the bank and financial strategy. It also provide better services, easy access, more transparency to customer with bank and financial services. The banking

industry much adopt to changing customers financial needs, wants, preferences and keep pace with new services offered in the financial market for long-term services in banking industry.

Muraleedharan,D (2009) in his book entitled 'Modern Banking Theory and Practice' threw light on drastic change at structural and organizational levels of banking sector. Modern banking has develop human life into a virtual mode, a reality that allows people to make purchase and payment online, without riching themselves to errors and frauds. In modern banking, internet has revolutionised and created a new business class of online bankers, online broken, and wealth manage. Internet banking offering low-cost delivery channels to the customer by creating a joint venture between the banks and the information portals and by offering core banking solutions.

Rao, S.B. Nageswara, Madhavi,C (2004), in his book entitled 'Customer Service Excellence Trends and Strategies' threw light on customer Acquisition and Retention, customer service quality, Customer Relation Management and Emerging Trends in Customer Service and also provide measure to improve the relationship with current customers. The main aim of customer service excellence is to identify the customers with whom the organization want to maintain relationship improved services to meet the need of the relationship updating customer database and to follow-up. It has revolutionized almost all operations of marketing in transmitting product related information, building relationship, selling real line marketing and servicing customers. One of the major ways of survival of a firm is by delivering consistent higher quality service which will not only help to acquire and retention of customer but also in building the corporate image. Service is a most important factor to attract and retain of the

customer for a particular product. Service is part and parcel of a product.

### **SIGNIFICANCE OF THE STUDY**

E-Banking Service and information technologies have significantly changed, the way of conducting business transaction and meeting the growing demand of customers for most organization.

Online banking has proved successful in the international banking sector in other country and has revolutionized the e-commerce industry. The profitability of a banking channel has to be calculated on the basis of revenue that are generated not only by directly charging the customers but also by exploring any reduction in operating cost. It also means that e-banking allows bank directly to customers online, thereby significantly reducing transaction labour, promotion and service cost.

### **OBJECTIVES**

1. To review current status of e-banking services.
2. To find out the difference between traditional banking and e-banking.
3. To identify the nature of Internet and core Banking Facilities provided by Banks in traditional banking and e-banking Banking.
4. To identify the perceptions of customers regarding Traditional Banking and e-banking provided by their respective banks.

### **SCOPE OF THE STUDY**

- (i) Internet banking offers and assure security to get electronic statements printed or downloaded, send cheques,

payment and transfer fund b/w two or more accounts.

- (ii) Internet banking services provide remote banking services and offer self services to their customers with more convenience via the web services technology.
- (iii) Customer can get the detail of accounts and transactional detail instantly and also allows customers to manage their accounts from any place at any time for minimum cost.
- (iv) Internet banking helps bank reduce the work load of branches like no routine generation of statements, balance of enquiry cheque request and standardize core service offering.
- (v) The account holder is armed with password, can use the Net to order a cheque book, stop payment of a cheque and stop the balance and individual operations in the account and transfer funds.
- (vi) Transfer of fund, submitting request and intimations like stop payments and activities are very simple and easy. E-Banking also offer to induce consumers to switch to online transaction and keep using them are perceived usefulness, reliability, responsiveness, security and continuous improvement.
- (vii) All financial data can be obtained at any time, 24 hours a day and 7 days per week.

### LIMITATIONS OF THE STUDY

- (i) Lack of awareness is seen as one of the biggest road blocks for successful online banking.
- (ii) Bank have not launched the internet payment gateway for handling net transactions of their clients or other unanticipated event resulting in the institutions inability to deliver product or services.
- (iii) Though bank have their presence on the web, they are not offering accurate account servicing to the online customer considering the internet risk.
- (iv) There is no facility for inter-bank funds transfer through the Net because the cyber laws in their regard are still not in place –hence smooth cash management is not possible.
- (v) Bank can expand their business beyond geographically boundaries faster than traditional bank. In some cases the bank might not be fully prepared and lack of sufficient resources to become entirely familiar with local and regulations.
- (vi) It may take more time to get the internet account started and give the information about the customer's account as it requires a lot of paper work.
- (vii) Some people avoid using Internet banking services because they find it difficult to understand how it works and breaches of security and

disruptions to the system's availability can damage a bank's reputations.

## CONCLUSION

The informational, modified, and self service offerings improve the existing function of traditional banking. There online services are likely to be considerable in differentiating e-banking from traditional retail banking. E-banking makes obsolete the technological knowledge of traditional banking. In addition, the new value propositions of e-banking will generate the fundamental changes in business model dimensions such as customer value, market sector, customer base, cost structure revenue source. We conclude that both technological knowledge and business model dimensions between traditional banking and e-banking are indeed different.

## SUGGESTIONS

Organizations should make explicit security plan and document it. There should be Separate Security Officer/Group dealing exclusively with information systems security. Information Technology Division will actually implement the computer systems while the computer security officer with deal will its security. The Information Systems Auditor bill audit the information systems.

Local access controls should be implemented on data, systems, application software, utilities, telecommunication lines, libraries, system software, etc. Logical access control techniques may include user-ids, passwords, smart cards or other biometric technologies.

At the minimum, banks should use the proxy server type of firewall so that there is no direct connection between the internet and the bank's system. It

facilitates a high level of control and in-depth monitoring using logging and auditing tools, for sensitive systems, a stateful inspection firewall is recommended which thoroughly inspects all packets of information, and past and present transactions are compared. These generally include a real-time security alert.

- Appropriate technologies for encryption of data for secured transaction, regular and multiple backup, extensive use of password and other forms of authorization is need to adopt.
- Create awareness among customers the advantages of IT in banking services through Road shows, Canopy and publicity by existing users to unaware customers of banks.
- Develop high-tech infrastructure for IT in banking services at a lower cost.
- There is a dual requirement to protect customer's privacy and protect against fraud.
- The location of the ATM is important and a lot of survey needs to be done before installing the machine, though it will increase transaction per day per ATM.
- The number of transaction through ATM will go up when the banks accept other bank's entire card too.
- Banks should Increase the number of cards issued and the number of branches network.

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