



CUSTOMERS' ATTITUDE TOWARDS E-BANKING SERVICES: A STUDY OF NEW GENERATION BANKS AND FOREIGN BANKS IN CHENNAI

C.Chitra

Research Scholar, Bharathiyar University, Coimbatore.

Abstract

Information technology is considered as a key driver for the changes taking place around the world. Electronic banking is the most inventive service offered by the banks. The transformation from traditional banking to e-banking has been a dramatic change. . The electronic revolution has made it possible to provide ease and flexibility in banking operations which benefit the customers. As a business tool, internet banking is rapidly transforming the world of commerce and banking, making banks faster and more efficient and allowing them to provide more personalized services to the customer. The banks which came in operation after 1991 with the introduction of economic and social reforms are called New Generation banks. The present study makes a systematic attempt to investigate the customers' attitude towards e-banking services from the two groups of banks operating in city of Chennai i.e. New Generation Banks and Foreign banks have been compared with respect to different five factors of quality of service namely Physical Aspects, Responsiveness, Security, Empathy and Accessibility. It shows the differences in the quality of services offered by banks.

Introduction

Banks play on vital role in the economic development of any country. It has been consider as an important segment of the territory sector and it contributes significantly for the economic progress of a country. Service sector is a very significant contributor for GDP of countries world over. It is today largest and fastest growing sector employing highest number of people. Increased Liberalisation, Globalisation, Privatization have contributed towards growth of service sector. Availability of quality services has become need of the hour. Technology is a fundamental source of competitiveness in the banking industry since it reduces labour intensive activities, processing and more convenient delivery systems. 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.

In the era of stiff competition, public, private and foreign sector banks in India have realized the importance of achieving high levels of customer satisfaction by providing quality of services. Various strategies are formulated to retain the customers and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction and hence it becomes a key to competitive advantage as well as it leads to customer retention. Due to the dawn of e-banking, quality of service has been enhanced as compared to conventional banking services. E-banking is an improvement over traditional banking system because it has reduced the cost of transaction processing and thereby improving the payment efficiency and also improving the banker-customer relationship.

In 1991, financial reforms have taken place which enhanced flexibility, operational autonomy and competition in the banking environment. To create a more diversified, profitable, efficient and elastic banking system, Government of India (GOI) commenced a banking reforms plan in 1992. As a result, the GOI allowed new Generation private sector banks from 1993 and further, the foreign banks from 1994

New Generation banks are not just banks involved in implementing a new strategy for the sake of survival. It has made a strong presence in rewarding business area in the country because of technology up gradation. The main aim of this bank is to create a paradigm shift to overcome the ever changing market requirements and customer preferences, by this way they organise the internal and external activities by considering the traditional human values and modern technology. The strategies adopted by the new generation private banks are more in tune with those of foreign banks by utilising high-end technology. The banks that provide banking services are ICICI, IndusInd bank, Kodak Mahindra Bank, HDFC, Axis, Yes bank and Development credit banks.

Foreign banks now constitute the largest segment of scheduled commercial banks in the country. According to Reserve Bank of India data, there are 46 foreign banks operating in India Out of which 12 banks operating in Chennai. After the entry of foreign banks in India, even the private sector banks have become competitive in nature and have attempted to improve their service quality to customers.

Statement of the problem

Fierce Competition in the banking industry in India has compelled the banks to be creative and innovative by offering value added services. Today, almost all banks are adopted ICT as a mean of enhance service quality of banking services. They are



providing ICT based e-services to their customers which are called as e-banking, internet banking or online banking, Mobile banking and ATM. It brings convenience, customer centricity, enhance service quality and cost effectiveness in the banking services and increasing customers' satisfaction in banking services. With the entry of new generation private banks and the expansion of operations of foreign banks, the banking sector has become too competitive. The challenge for banks is to lower costs, increase efficiency, improving quality of service and increase customer satisfaction. To deal with emerging situations, bankers have to shed a lot of old ideas, change in practices, develop customer loyalty programmes and adopt a distinct approach to meet the challenges ahead. In the quest to improve its services, retain and attract customers both banks has introduced latest technology and latest banking practices to India. Their contribution is significant in terms of making the Indian banking system more competitive and efficient. The strategies adopted by the incipient generation private banks are more in tune with those of foreign banks, where emphasis is given to establishing superior benchmarks of efficiency, fixating on niche customers, providing impressive customer accommodation and establishing operating efficiencies by utilizing high-end technology. These efforts of banks aim at bringing satisfaction to the customers. As a result, these banks are able to provide diversified products to suit to the multifaceted requirements of different kinds of customers. Hence the researcher feels that, there is a need to analyse the customer attitude with regard to electronic banking services provided by these banks in Chennai i.e. New Generation Banks and Foreign banks have been compared with respect to different five factors of e-banking service quality.

Review of Literature

Zeithmal and Gilly(1998) found out that the reason for the lack of response from customers for not adopting the technological innovations. According to them, customers do not trust technology. The research done by them also states that large financial institutions are able to afford to invest more in internet banking and providing customer tailored services, compared to the smaller banks

Vyas P (2004) in his paper entitled "Measurement of customer satisfaction on Information technology adoption in banking services". He concluded that there was effective implementation of e-banking services in case of private banks and foreign banks, whereas, nationalized banks were found to have lesser degree of computerization.

Santhiyavalli G (2011) determined the customer's perception of service quality of the select branches of state bank of India and studies the major factors responsible for their satisfaction. In this research SERVQUAL model has been used and study indicated that among five dimensions Reliability, Responsiveness, Empathy, Tangibility are the major factors responsible for customer satisfaction

Objectives of the Study

To study the attitude of customers for e-banking service quality of two groups of banks i.e. New Generation private sector banks and Foreign Banks and to judge the similarity or differences in the satisfaction for the two groups of banks.

Research Methodology

The sample for this survey consisted of customers of two categories of banks viz New Generation private sector banks and Foreign Banks of Chennai. The study is based on both primary and secondary data. The primary data were collected through a structured questionnaire from 40 customers of HDFC, ICICI and Kodak Mahindra Banks in Chennai and 20 customers of city bank and standard chartered bank. The respondents in the study were drawn by means of convenience sampling method. The sources of secondary data were collected through journals, Magazines and relevant websites.

Statistical Tools: The following statistical tools have been used for the purpose of analysing data collected

- Percentage Analysis
- Chi-Square Test

Data Analysis

The Customer satisfaction regarding E-banking services of New Generation banks and foreign banks in Chennai is assessed by the factors such as physical aspects, Responsiveness, Security, Empathy and Accessibility. The satisfaction of customers are measured using a 5 point Likert scale to rate their level of satisfaction or dissatisfaction (1=strongly dissatisfied, 2=Dissatisfied, 3=neither satisfied nor dissatisfied, 4= satisfied, 5=strongly satisfied)

I Profile of the respondents

Table-1

Gender	No. of respondents		Percentage	
	NEW GENERATION BANKS	FOREIGN BANKS	NGB	FB
Male	27	14	68%	70%
Female	13	6	32%	30%
Total	40	20	100	100

It is clear from the above findings that out of 60 respondents 68% (NGB) and 70% (FB) are males and the remaining 32%(NGB) and 30%(FB) constitute the female age group people

Age of Respondents

AGE GROUP	NO OF RESPONDENTS	
	NGB	FB
21-30	16	7
31-40	16	4
41-50	4	8
ABOVE 50	4	1

The above table shows that the younger customers are more inclined towards services provided by new generation banks than foreign banks.

Usage of E-banking services

Period	No. of respondents		Total	Percentage
	NGB	FB		
Less than 1 Year	7	3	10	17%
1-3 Yrs	13	8	21	35%
3-6 yrs	10	4	14	23%
Above 6 Yrs	10	5	15	25%
Total	40	20	60	100

The findings are inferred from the above table that 35% of the respondents occupy the major role. Their operation period lies between 1 and 3 years, 25% of the respondents have maintained their accounts for more than 6 years, 23% of the respondent's lies between 3 to 6 yrs and 17% of the respondents have maintained the account less than 1 year.

II Discrimination in the two types of banks with respect to customers' attitude towards E-Banking services

In order to understand the customers' attitude towards E-banking services provided by both the banks of Chennai, the following hypotheses have been tested

There is no significant difference between the new generation banks and foreign banks in terms of E-Banking services with respect to Physical Aspects (H1), Responsiveness (H2), Security (H3), Empathy (H4) and Accessibility (H5)

Table-2 Customers attitude towards E-Banking Service Quality Factors

Factors	Satisfaction of the Customers	New Generation Banks	Foreign Banks	Total
Physical Aspects	Dissatisfied	1	0	1
1) The website of the bank is well-organized/arranged and has user-friendly interface	Moderate	6	2	8
	Satisfied	33	18	51
2) Web-site of bank is visually appealing and attractive		40	20	60
3) The website of the bank provides required and valuable information				
	Total			
Results of Chi- square				

p value	0.430465
Critical value	5.991465
Chi- square test statistic	0.621569
Do not reject the null hypothesis	Result: There is no significant difference between two groups of banks with respect to Physical Aspects

Responsiveness	Satisfaction of the Customers	New Generation Banks	Foreign Banks	Total
1) Electronic banking gives prompt service to customers 2) Prompt responses to the customers' requests by e-mail or other means 3) Quickly resolves problems related to online transactions	Dissatisfied	1	4	5
	Moderate	4	4	8
	Satisfied	35	12	47
	Total	40	20	60
Results of Chi- square				
p -value	0.027499			
Critical value	5.991465			
Chi- square test statistic	7.187234			
Reject the null hypothesis		Result: There is significant difference between the two groups of banks with respect to Responsiveness (Promptness in Service)		
Security and Privacy	Satisfaction of the Customers	New Generation Banks	Foreign Banks	Total
	Dissatisfied	0	1	1

Result:

There is no significant difference between two groups of banks with regard to security (Safety and security of all banking transactions)

1) E-Banking ensures the safety and security in all its transactions 2) Protects the customer's personal and financial information and not shared with other websites 3) E-Banking gives high priority for the privacy of the customers	Moderate	3	5	8
	Satisfied	37	14	51
	Total	40	20	60
Results of Chi- square				
P- value	0.053487			
Critical value	5.991465			
Chi- square test statistic	5.856617			
Do not reject the Null hypothesis				

Empathy		Satisfaction of the Customers	New Generation Banks	Foreign Banks	Total
		Dissatisfied	2	3	5
1) Help desks, call centers of Electronic banking give personal attention 2) Operating hours of the Electronic Banking are more convenient to all its customers 3) Electronic banking understands the specific needs of the customers		Moderate	10	4	14
		Satisfied	28	13	41
		Total	40	20	60
Results of Chi- square					
P- value	0.040787	Result: There is significant difference between the two groups with respect to Empathy (convenient & personal attention in Service)			
Critical value	5.991465				
Chi- square test statistic	6.398781				
Reject the null hypothesis					

Accessibility		Satisfaction of the Customers	New Generation Banks	Foreign Banks	Total
1) Bank staffs are easily approachable for their problems 2) Bank ATM and other facilities 3) Branch offices at the convenient locations		Dissatisfied	2	1	3
		Moderate	5	7	12
		Satisfied	33	12	45
		Total	40	20	60
Results of Chi- square					
P- value	0.018662	Result: There is significant difference between two groups of bank with regard to Accessibility(Location and ATM facilities			
Critical value	5.991465				
Chi- square test statistic	6.398781				
Reject the null hypothesis					

Summary		
S.No	Factors of service Quality	Result of Chi-Square
1	Physical Aspects	Accepted
2	Responsiveness	Rejected
3	Security And Privacy	Accepted
4	Empathy	Rejected
5	Accessibility	Rejected

The values of Table-2 are calculated at 5% level of significance.

The **Findings of Table-2** reveals that the two groups of banks i.e. New Generation Banks and Foreign banks seem too vary in the level of E-banking service quality factors they deliver to their customers except in the factors of physical aspects and Security.

Conclusion

In any service organization the quality of rendering service is considered as an important element in order to meet the specific requirements of the customer. Customer value is an asset to any organization. The success of the bank mainly depends upon



the customer satisfaction. Hence in order to maintain the customer, the bank provides good quality of service and making it available at the right time for the customers. Modern technology and innovation are required in every aspect of banking system. From the overall analysis it is quite clear that the satisfaction level of customers in relation to e- banking services provided by new generation banks and foreign banks in Chennai is different in the factors of responsiveness, Empathy and Accessibility.

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