

Role of Technology and Growth of Modern Banking

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ABSTRACT: Banking sector plays an important role in the economic development of the country. It is a well known fact that strong and smooth banking sector leads to a more stable economy. Day by day, the banking sector is changing its way of working. Banks, all over the world have adopted electronic banking. It is not only making life easier for customers; but also for their employees. With the introduction of e-banking, the customers can be in virtual contact with their banks, anytime and from anywhere. In lieu of same, the present paper attempts to examine the pattern of customers in accepting different means of electronic banking, their satisfaction level, frequency and purposes with the growth of banking sector and technology advancement. The problems which the consumer faces have also been identified based upon which managerial implications are suggested.

Keywords: Banks, Customers, Electronic Banking, Institutions, Technology

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I. INTRODUCTION

The Modern banking of today is far incomparable from the traditional banking. Looking back to the olden days, when the Jews and goldsmiths initiated the banking system by lending their surplus to the people who required the credit and accepted deposits from those who had surplus. In exchange, they issued the receipts in similar manner in which banks of today issue notes. Apart from the principal, the debtor paid an incentive which was called as 'interest'. Though the phenomenon was prevalent but formalizing the same under Banking Acts 1949 and RBI Act 1934, institutionalized the banking system under formal structure.

However, the journey of banking system in India was introduced way back in 1770's. In the history of Indian banking, the *Tri-banks* popularly known as Presidency banks, including Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843) hold great significance during the period of East India Company. Later, in the year 1921, the three banks merged into Imperial Bank of India initially began as private holder's bank. Few other banks came up, but due to slow progress of banking system and other failures, public lost trust which demanded strong urge towards formulation of a governing body. Thus, in 1935 RBI came into the league as the apex institution.

Further, in 1949, for the smooth functioning of the business banks, the Government of India came with the Banking Companies Act. (Banking Regulation Act 1949). Post Independence, government took major steps reforming the banking system. In 1955, Imperial Bank again transformed into State Bank of India as its new identity. The relation between RBI and SBI is that of principal its agent. Besides acting as agent, SBI also acts as central bank in all those cities where branch of RBI is not present. Serving with the service motive, SBI has its highest branches all over the country including the rural areas. In 1959, seven banks owned by the major states Bikaner and Jaipur, Hyderabad, Mysore, Patiala, Saurashtra and Travancore became its subsidiaries.

Second phase of nationalization took place in 1969 with fourteen major banks and later in 1980 by nationalizing six more banks. Unlike the previous phase, this phases added confidence in public's mind. In 1991, the third phase of reforms, a major change in the banking conditions took place under M. Narasimhan for liberalizing banking practices. It was in this phase, that the banking system was introduced to modern techniques such as internet banking and telephone banking.

With the advancement in the banking sector, managing an account has become very easy. It has changed the ways by which an individual may associate with banking transactions anywhere anytime either through mobile phones, personal computers or laptops. It enables customers to be in virtual contact with their banks all the time. Banks offer various electronic banking services, few of which includes ATM, Cash Deposit Machine, Online/mobile and tablet banking, E-Statements, Text Alerts/Mobile Alerts, Online Shopping and Bill Payments, etc.

II. LITERATURE REVIEW

For the present study, a review of previous literature was conducted and was thus summarized under four sections. *First Section* includes factors responsible for internet banking based on respondent's perception. A number of past researches have contributed in examining such factors. Auta (2010) studied respondent's perception regarding the causable factors responsible for internet banking ^[1]. The study includes framework of the factors which accounts in assessing the e-banking. This study was conducted in Nigeria consisted all the 25 commercial banks. The major factors identified were convenience, user friendly technique, queue management, accessibility time factor and fund transfer. The study suggested that high level of stability of infrastructure like power and telecommunication should be provided to the people of Nigeria for smooth working of e-banking.

Another study conducted by Geetha and Malarvizi (2011) indicated level of concern regarding security and privacy issues in India ^[2]. Data was collected from 200 bank customers of 19 commercial banks. It was found that customers are unwilling to join the new technologies because of risk. Hence bank should address the customers' problem by providing them necessary guidance and ensure safety of their accounts. Jalal, Marzooq and Nabi (2011) identified selected factors such as perceived usefulness, perceived ease of use and security and privacy in Bahraini community ^[3]. It was found that both perceived usefulness and perceived ease of use has a positive effect on customer intension to use internet banking. Whereas, security and privacy had opposite result.

Second Section, however, examines relationship between internet banking, consumer adoption and satisfaction. A study was conducted by Musiime and Ramadhan (2011) in Uganda, South Africa. It was found that there is positive and strong relation between internet banking and consumer adoption ^[4]. It was suggested that banks should look out for innovative ways for creating awareness about e-services through participation in trade organizations, exhibitions.

On the other hand, Seyal and Rahlm (2011) conducted a study in Brunei Darussalam. They found out that around 50 percent of the customers are satisfied in that area and throw light on the role of demographical variables towards overall satisfaction ^[5]. It was found that four out of five demographical variables such as age, educational level, income level, and prior experience with internet determine overall satisfaction. The customers are concerned about the lack of security features, slow speed of internet and lack of internet skill.

Third Section examines internet banking in rural areas. Parmar, Patel, et.al. (2013) attempts to study the usage of internet by different age group of rural customers in Gujarat, India ^[6]. Out of 456 respondents 200 respondents were selected who are using internet banking services. It was found that though e-banking is a new concept to the rural consumer, but most of the people are using it. People are satisfied with e-banking. Their expectations are limited to security, time saving, convenience and user friendliness.

Last Section covers the most critical part of the study including online banking flaws, security and fraud issues. Koshosas (2011) acknowledges the experience of organization following e-banking measures conducted in one of the earliest Omega bank ^[7]. The main reasons for the adoption of e-banking services by the bank were cost reduction, service quality and system efficiency. According to the study, the experience of the omega bank following e- security measures is both positive, because the communication within the organization was flawless, whereas complex because of the new changes the organization went through.

In the paper titled 'Online Banking Security Flaws' Jassal and Sehgal (2013) studied the reason behind the security breaches and participation of banks and customers to enable the hackers to access others network ^[8]. The study showed many types of drawbacks in the security of internet banking like flaws in banking websites, loopholes in banking policies and difficulty in user usability and customer ignorance that ends in losing of money of account holders. In this research, it was found that awareness and usability of users are important to make online

Another stream of theoretical literature examined by Shanab and Matalqua (2015) throws light upon security issues and challenges of e-banking frauds ^[9]. Different types of attacks, some fraud detection strategies and some prevention methods were included in their paper. The expert opinion method was to rank different models and techniques. His results concluded that the online banking system requires efficient security models that are capable of identity users and authorizing transactions, and thus eliminating fraud. However, according to this study current models are based on fraud identification more than fraud prevention, which means action is taken after the fraud occurs, instead of performing preventive procedures. Results showed that the most effective model is “Transaction monitoring” and the worst models based on respondent’s opinion are browser protection, virtual keyboards and device identification.

III. RESEARCH METHODOLOGY

Questionnaire Canvassed

For the purpose of study, a questionnaire was designed heading three sections. First section covered the personal details of the respondents, information like name, age, marital status, and qualification. Second section included specific questions whether holding a bank account or not, preference of public or private account, regarding awareness of internet banking, what encourages the usage, familiarity to computer usage. Third section included objective based questions inquiring usage of different technologies and their frequency, satisfaction level with the other facilities provide by the banks, purposes of using technology based banking and the problems faced while operating.

Reference Date/ Reference Period

The data whether personal, specific or purpose based information was collected through a primary survey conducted by an enumerator during the period April to June 2017. It almost took three months to collect the complete information from the targeted areas.

Sampling Design

Drawing on over 3 months of fieldwork across six tehsils of Dehradun district covering various blocks; the targeted population for the present study was chosen from Dehradun Tehsil through stratified random sampling. At the first stage, Raipur block was chosen as the study area. Eight areas under the block viz. Kewal Vihar, Kanan Kunj, Aamwala, Pragati Vihar, Shiv Girdhar Nikunj, Ekta Vihar, Shakti Vihar and Vikas Lok were stratified through which random sampling. The primary data was collected using different techniques like – Direct Personal Investigation using Questionnaire with the help of enumerators.

Objectives of the Study

- To examine the category of users accessing the internet banking
- To identify the relationship between level of education and awareness of internet banking
- To access the means and purposes of technology used by customers
- To examine the satisfaction level and/or issues related to internet banking services

IV. FIGURES AND TABLES

The approach used in this study is qualitative, descriptive as well as analytical in nature. A sample size of 211 people was collected from Dehradun district, out of which 52.1 percent are male and 49.7 percent are females.

TABLE 1: Showing Socio-Demographic profile of respondents

S. No	Age Classification	Gender		N	Percentage of Respondents
	Class Groups	Male	Female		
1	18-35	103	90		94%
	36-55	5	11		5%
	Above 55	2	0		1%
	Total	110	101	211	100
2	Occupation				
	Salaried	27	38		31%
	Self Employed	26	3		14%

	Homemaker	0	7		3%
	Student	54	48		48%
	Others	3	5		4%
	Level of Education				
	Primary	0	1		46%
	Secondary	10	4		44%
	Graduation	56	39		1%
	Post graduation	38	54		5%
	Others	6	3		4%
	Awareness of Internet Banking				
	Yes	102	92		91%
	No	8	9		9%
	Users of Internet Banking				
	Yes	83	71		73%
	No	27	30		27%

Source: Primary Data

Table 1 shows the bird view of the socio demographic classification of the respondents.

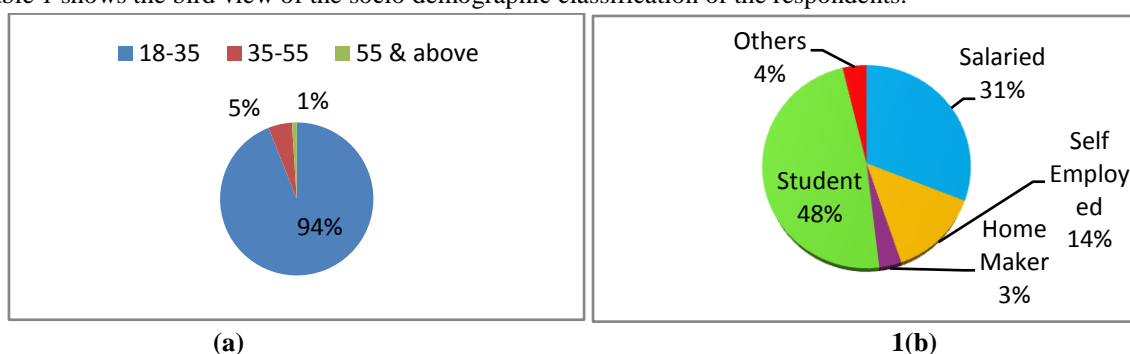


Fig. 1 (a) & (b) showing age groups of respondents and 1 (b) showing categories of the respondents

Figure 1(a) shows the age category of the respondents. It can be seen that maximum number of the respondents falls in the age group of 18-35, i.e., 93.8 percent of the total sample collected. Since the awareness and knowledge for the internet banking is more among the youth; there is a possibility that the age group 18-35 is more comfortable with electronic technologies. Also, it was found that in spite of knowledge, the elder people have a mental block.

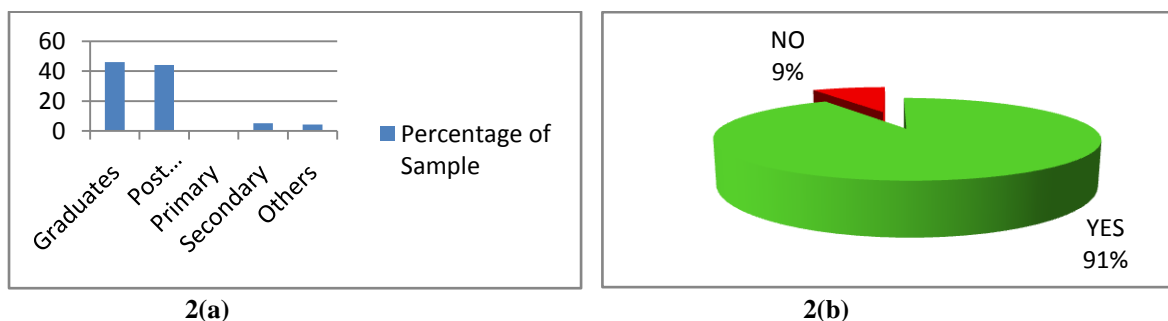


Fig. 2 (a) showing level of education of the respondents and 2(b) showing awareness of internet banking

Figure 2 (a) and 2 (b) shows the level of education and awareness of internet banking respectively. From figure 2 (a) it is clear that the maximum numbers of respondents are either graduates or post graduates. In figure 2 (b) out of 211 respondents, 193 (91 percent) people are aware of internet banking, whereas 18 (9 percent) people are not familiar with internet banking. In general, a positive relation can be seen between level of education and awareness of internet banking. If a person is educated there is a possibility that he/she is familiar with the latest technologies such as mobile, computers, internet, etc. Most of the institutes use

technologies such as SMS, Online advertisement, internet mails, etc. for advertisement. Therefore, in general argument we can conclude that an educated person, who is in touch with the latest technologies are more aware. However, it may not always be so.

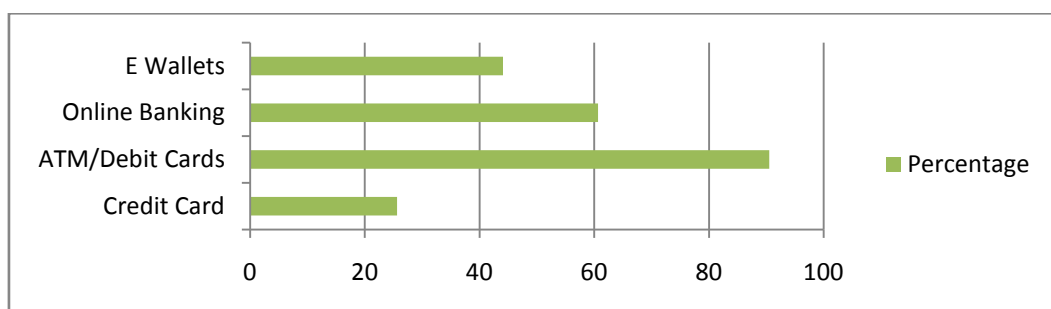


Fig. 3 showing the usage of banking technologies by the customers

Figure 3 shows the banking technologies used by the customers. The analysis is showing multiple answers given by the customers. It can be seen that ATM/ Debit cards are used by the maximum banking customers about 90 percent of the total sample size, followed by online banking with around 61 percent users, e-wallets and credit card with 44 and 26 percent respectively. This chart indicates that the customers are getting attracted towards the usage of electronic banking.

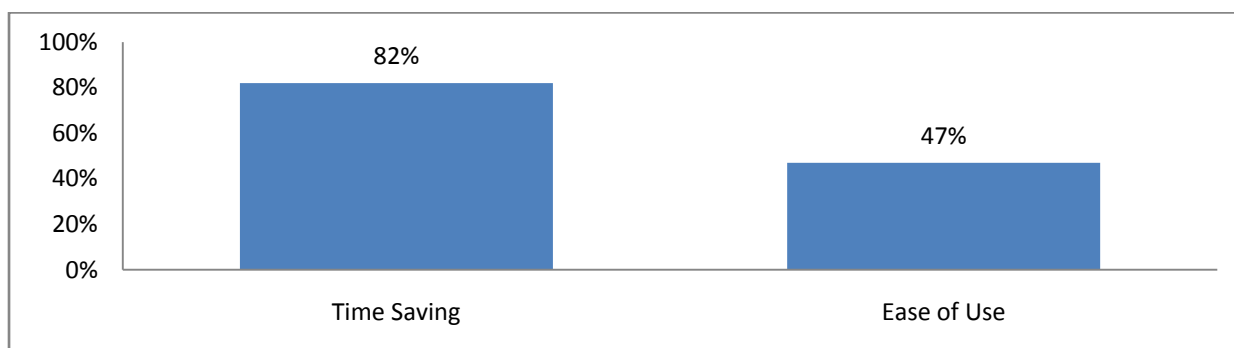


Fig. 4 showing the reasons behind internet banking usage according to customers

Figure 4 investigates the reasons behind preference of internet banking. The analysis is based on multiple answers given by users. It can be seen that more than 80 percent respondents agree that internet banking is time saving and approximately 50 percent of the sample responded that internet banking is preferred because of its easy accessibility and convenience of the customers.

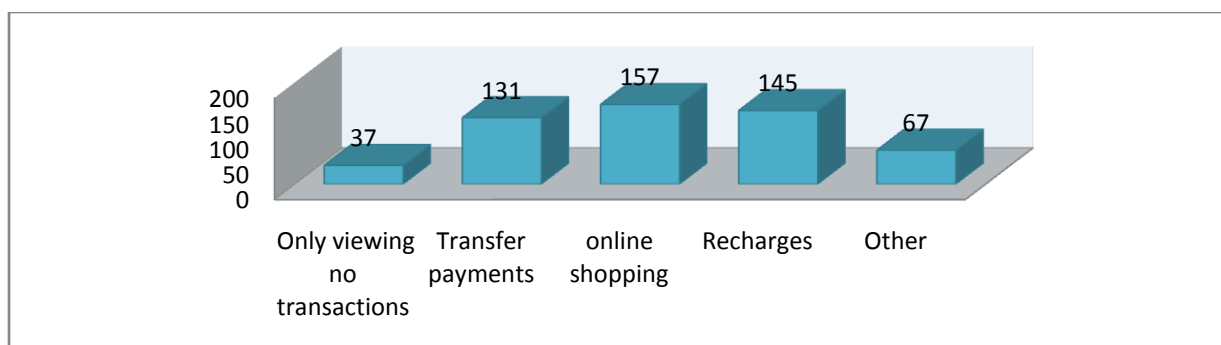


Fig. 5 showing the purposes for which internet banking services are used by the customers (Actual number of Customers)

Figure 5 shows the purposes of banking service usage. This analysis is based on multiple answers given by the customers. More than 70 percent respondents are using internet banking services for online shopping and mobile recharges, approximately 64 percent are using the services for transfer payments, 18 percent are using the services only for viewing their transactions while around 33 percent are using it for other purposes. It shows that people are gaining trust for electronic banking.

TABLE 2: Usage of technology in a month

	Nil	1-5 times	5-10 times	10-15 times	Above 15
Branch banking	70	79	10	02	08
ATM	17	124	38	08	11
Mobile banking	49	55	39	09	17
Net banking	38	75	32	05	14

Table 2 shows the frequency of the services used by the respondents during a month. It was found that usually for each of the service, the maximum frequency lies between 1 to 5 times per month. Highest usage is though for ATM/Debit cards but it does not however mean that traditional banking has vanished completely. Slowly mobile and internet banking is also increasing.

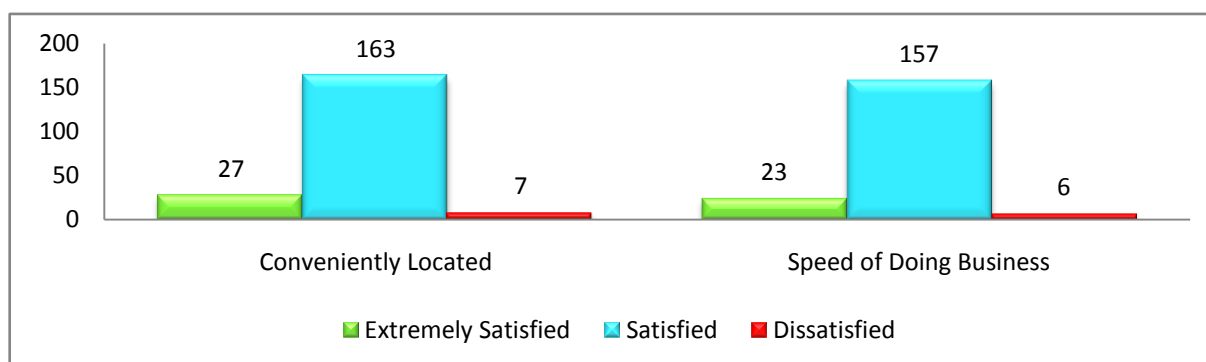


Fig. 6 showing the level of satisfaction of the respondents using ATM services

Figure 6 shows the satisfaction level of the customers using ATM services. It can be clearly seen that maximum number of the ATM users fall in the category of satisfied. Very few remain dissatisfied.

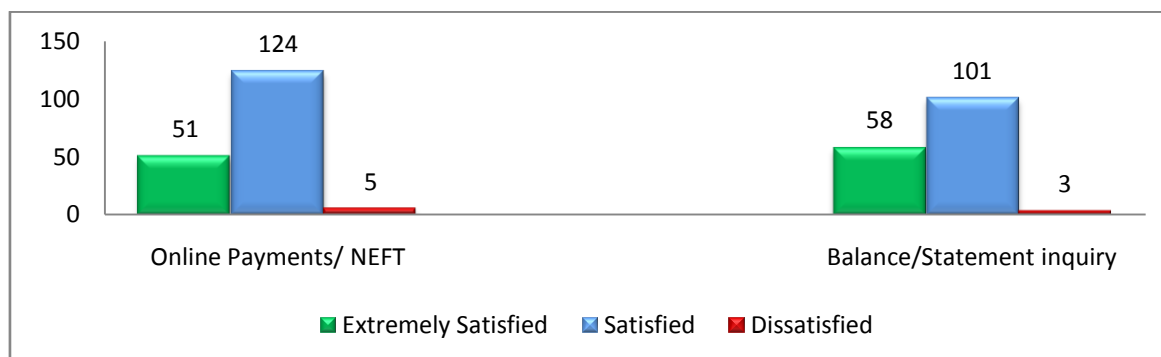


Fig. 7 showing the level of satisfaction of the respondents using online banking

Figure 7 shows the level of satisfaction of online banking customers while using different online banking services like online payments/NEFT and Balance/statement inquiry. It again shows that maximum users are satisfied as well as extremely satisfied, whereas only eight users were dissatisfied.

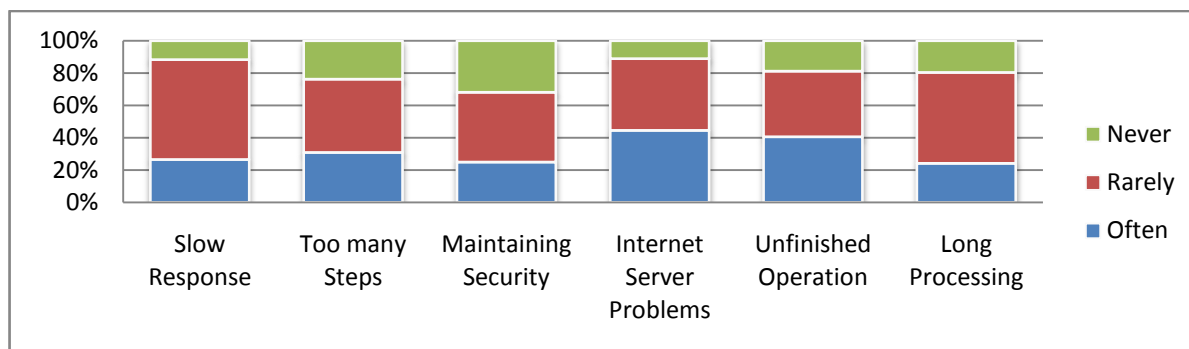


Fig. 8 showing problems faced by respondents during internet usage

Figure 8 shows that how many times people face problems during internet usage like slow response, too many steps, maintaining security, internet server problems, unfinished operations and long process. This is based on multiple answers. It was found that generally the problem occurs regarding the server or the operation remains unfinished. However, the study concludes that a major proportion of the sample agrees that all the above said issues either occurs rarely or never during the transactions.

V. CONCLUSION

The present study was an attempt to find out the perception of the customers towards electronic banking. Though, initially it carried many difficulties but now majority of people have gained trust towards electronic banking and they are willing to adopt new banking technologies for various purposes. From Secondary Sources, the study concludes that though India holds second position in internet banking users, in spite of that, people are still facing problem related to internet server and unfinished operations. India fails to provide strong internet server to its customers. However, it was found that from the employees' point of view, internet banking is more convenient than traditional banking because of reduction in their workload.

While collecting primary data, during an informal conversation with bank employees of State Bank of India, Axis bank, Canara bank and Bank of Baroda it was witnessed that after demonetization the number of internet banking user has increased. Further, they told that maximum customers of age group of 18-35 are operating their account via the internet which seconds the conclusion drawn in the present study as well. However, few people between 35-55 years of age or above are still using branch banking. There is a possibility that people of these age groups are having trust issues or lack of computer.

VI. RECOMMENDATIONS

To increase the level of trust of customers on e-banking the bank should apply the following strategies:

- To educate the customers about e-banking, banks should organize seminars and conferences in which bank should also include the information regarding security and privacy of customer's account.
- Some people are not much aware of computer usage and hence are not able to get benefit from e-banking. Government and banks should take initiative to educate customers, so that they can learn the basics of computer.
- In order to gain trust of customers, banks should ensure that they are taking proper measures to maintain security and privacy.
- To increase e-banking usage banks should deduct their transaction costs.
- Government should take initiative to make a strong server connection and also provide internet to remote areas.

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