

A Study On Impact of Innovative Banking Services Rendered by Nationalized Banks

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ABSTRACT

Today banking is known as innovative banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. The banking industry has experienced a series of significant transformations in the last few decades. Among the most important of them is the 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. Due to E-Banking there is increase in customer satisfaction level, reduction in cost of banking operations, increased productivity and as such there is a tremendous scope for Indian banks to enlarge their E-banking services which could enhance their competitiveness. While E-banking has improved efficiency and convenience; it has also posed several challenges to the regulators and supervisors. The paper suggests some measures to tackle the challenges faced by the banks particularly public sector banks.

KEYWORDS: Information Technology, E-Banking Challenges, Opportunity, Consumers, Trends.

1. INTRODUCTION

Banking has gone through massive transformations in the past decades. This is a universal fact that the banking sector forms the core of any economy. Banking systems capture an important place in a nation's economy. A banking institution is indispensable in a modern society. The Banking sector in India has always been one of the most preferred areas of study. In this decade, this sector has emerged as a sunrise sector in the Indian economy. Banking in India has gone through a long journey. Indian banking sector has witnessed a number of changes. In the 1990s, the banking sector in India saw greater emphasis being placed on technology and innovation. Banks began to use technology to provide quality services at greater speed. Internet banking and mobile banking made it convenient for customers to do their banking from geographically diverse places.

Information Technology in the banking sector refers to the use of sophisticated information and communication technologies along with computer science to enable banks to offer better services to its customers in a secure, reliable and affordable manner. It also sustains competitive advantage over other

banks. The significance of technology is prominently in the financial sector in view of the competitive advantage for banks resulting in the efficient customer service. In the development of Indian economy, banking sector plays a very important and crucial role. With the use of technology, there has been an increase in penetration, productivity and efficiency. It has not only increased the cost effectiveness but also has helped in making small value transactions viable. Electronic delivery channels, ATMs, variety of cards, web based banking, and mobile banking are the names of few facilities available due to the process of automation and computerization in the Indian banking sector.

2. REVIEW OF LITERATURE

Machogu, A. M., & Okiko, L. (2015) research brought to light that with e-banking complexities on customer satisfaction. Results shows that there are factors which lead to customer satisfaction particularly in e-banking, which is one of the very important and fast growing way of doing banking. The factors such as accessibility, convenience, security, privacy, content, design, speed, fees and charges have influence on customer satisfaction where as the other factors notified have no significant influence.

Ameme, B., & Wireko, J. (2016) claimed in their research that in today's competitive world where technology plays a very important role and if we talk about banking sector or industry there is a positive relationship between technology and customer satisfaction. They also stated that satisfaction of customers is not merely introducing innovative products and services rather it is much more than that. They also found that if the bank wants to become the market leader in the competitive environment it must use the innovation approach in all the aspects like products and services. Also there is a significant relationship between technological innovation and cost. As the innovation increase the cost also increases.

3. STATEMENT OF THE PROBLEM

The technological advancements all over the world have created a pressure for the use of better technology in the banking sector. Indian Banking System has witnessed some of the major problem due to the financial innovations are as follows. There exists a significant gap between the growth expectations and the ground realities. There is also a significant disparity among the people of rural and urban area in availing the services of the financial system. The lopsided effect of the technology upgraded help the upper class of the people and the illiterates are still not able to attain the benefits. Hence, this study is about the technological innovations that are taken place in Indian banking sector and they have led to the changing trend from cash to cashless payments for easy, efficient and quicker customer service.

4. OBJECTIVES

1. To highlight the growing trend of innovations in the banking technology
2. To analyze the redressal mechanism and the levels of satisfaction of e banking services
3. To give valid suggestions on the basis of the study

5. SAMPLING DESIGN AND STATISTICAL TOOLS FOR ANALYSIS

Statistical techniques such as Trend analysis, Chi-square, Correlation analysis, and T test were used for analyzing the data. Proportionate Random sampling method was employed to select the sample respondents. Totally 300 banking customers of State Bank of India, Indian Bank and ICICI Banks were

selected for the study and these 300 sample respondents are drawn from five taluks based on the magnitude of the users of banking services.

HYPOTHESIS OF THE STUDY

- Ho: There is no significant difference among the grievance redressal mechanism by banks
- Ho :There is no significant difference between Demographic Profile and level of satisfaction of e-banking services
- Ho : There is no significant difference between the Banking Profileandthe level of Satisfaction of e-banking services.

GROWING TREND OF INNOVATION IN INDIAN BANKING SUCH AS DIGITAL PAYMENTS & NEFT/EFT

The table 1 reveals the results of Trend analysis and correlation in terms of Digital payments.

Table 1 Annual Turnover of Payment System Indicators in Volume (million)

Year	SIFMIs	Trend %	Total Paper Clearing	Trend %	Total Retail Electronic Clearing	Trend %	Total Card Payments	Trend %	Grand Total	Trend %
2012-13	27.8	100	1439.7	100	218.8	100	316.5	100	2002.8	100
2013-14	35.2	127	1376.8	96	280.6	128	387.2	122	2,079.80	104
2014-15	38.8	140	1376.1	96	313.7	143	404.4	128	2,133.00	107
2015-16	49.3	177	1387.4	96	406.3	186	502.2	159	2346.9	117
2016-17	56.9	205	1,341.9	93	512.5	234	678.1	214	2,589.30	129
2017-18	70.8	255	1,313.7	91	694.1	317	932.6	295	3,011.10	150
2018-19	83.7	301	1,257.3	87	1,108.3	507	1,261.8	399	3,711.10	185
2019-20	95.8	345	1,196.5	83	1,687.4	771	1,737.7	549	4,717.40	236
2020-21	101.4	365	1,096.4	76	3,141.5	1436	2,707.3	855	7,046.60	352
2021-22	111.5	401	1,206.7	84	4,222.9	1930	5,450.1	1722	10,991.20	549
2022-23	127.9	460	1,170.6	81	6,382.3	2917	8,207.6	2593	15,888.40	793

2023-24	140.2	504	1,123.8	78	12,466.7	5698	10,781.2	3406	24,511.90	1224
Mean	78.28	282	1273.9	88	2619.59	1197	2780.56	879	6752.46	337
SD	37.64		114.06		3,652.11		3,496.25		7,050.33	
r	0.99		-0.94		0.81		0.85		0.83	

Source: Compiled from Report on Trend and Progress of Banking in India

For the overall Payment System Indicators, Mean: 6752.46, SD: 7,050.33 and Correlation (r): 0.83 which is positive and high. The growth rate is calculated through trend analysis which is 1224 in the year 2023-24 with an average mean growth rate of 337 over the period from 2012-13 to 2018-19.

NATIONAL ELECTRONIC FUNDS TRANSFER NEFT/EFT

The table 2 shows the result of Trend analysis and correlation in terms of National Electronic Fund Transfer.

Table2 National Electronic Funds Transfer NEFT/EFT

Year	NEFT/EFT		Trend %	
	Volume	Value	Volume	Value
2007-08	0.82	171.25	100	100
2008-09	2.55	546.01	311	319
2009-10	3.07	612.88	374	358
2010-11	4.78	774.46	583	452
2011-12	13.32	1,403.26	1624	819
2012-13	32.16	2,519.56	3922	1471
2013-14	66.34	4,095.07	8090	2391
2014-15	132.34	9,391.49	16139	5484
2015-16	226.11	17,903.50	27574	10455
2016-17	394.13	29022.42	48065	16947
2017-18	661.01	43785.52	80611	25568
2018-19	927.55	59803.83	113116	34922
2019-20	1252.88	83273.11	152790	48627
2020-21	1622.10	120039.68	197817	70096
2021-22	1946.36	172228.52	237361	100571
2022-23	2318.89	227936.08	282791	133101
Average	600.28	48344.17	73204	28230
r	0.89	0.85		
	0.98			

Source: Trend and Progress of Banking, RBI Reports Volume in Lakh; Value in Rupee Crore

The table describes the growing trend of National Electronic Funds Transfer in India from 2007-08 to 2022-23. The trend is calculated with the help of trend analysis taking the base year 2007-08. The growth is phenomenal which has grown from 0.82 to 2318.89 lakhs in volume and from Rs. 171.25 Crore to Rs. 2, 27,936.08 Crore in value. As per the trend analysis, it is seen that growth rate is 2, 82,791 for the volume of NEFT/EFT and the same is 1, 33,001 for the value of NEFT/EFT. The correlation for the volume of transactions is 0.89, correlation for the value of transactions is 0.85 and between the

volume of transactions and value of transactions is high and positive 0.98. Hence it is concluded that the growth is vital as far as NEFT/EFT transactions are concerned in the banking services.

REDRESSAL MECHANISM IN E-BANKING SERVICES

The following table 3 shows the T test for the Redressal Mechanism in e-banking services

Table 3 To analyze the Redressal Mechanism in E-Banking services

Complaints	t	Sig.	SD	Mean	95% Confidence Interval	
					Lower	Upper
Undue delay	59.57	.000	0.48	1.65	1.59	1.70
Managing without complaining	57.93	.000	0.49	1.62	1.57	1.68
Complaint to Ombudsman	57.50	.000	0.49	1.62	1.56	1.67
Lodge an online complaint	54.71	.000	0.37	1.16	1.12	1.20
Days exceeding time frame	53.87	.000	0.50	1.55	1.49	1.61
Solved within a fixed time frame	53.58	.000	0.50	1.54	1.49	1.60
Days within the time frame	53.43	.000	0.50	1.54	1.48	1.60
Switch over to any other bank	51.65	.000	0.50	1.49	1.44	1.55
Discuss with immediate superior	50.79	.000	0.42	1.22	1.18	1.27
Lodge a written complaint	50.09	.000	0.50	1.44	1.38	1.49

Source: Primary Survey

As per t test, Undue delay in getting the complaints solved score more with the value of 59.57 and is low for the complaint related to Lodge an online complaint 0.37. Hence it is observed that the delayed solving of complaints is the major issue faced by the sample respondents.

LEVELS OF SATISFACTION ON THE E-BANKING SERVICES

The table 4 reveals the result of Chi-square, p value and their significance for the level of satisfaction on the e-banking services.

Table 4 Levels of Satisfaction on the E-Banking Services

Items	Value of Chi-Square	Significance level	Remarks
Demographic Profile			
Age	7.21	.302	Not Significant
Income	5.77	.449	Not Significant
Gender	2.55	.280	Not Significant
Occupation	4.63	.592	Not Significant
Marital Status	8.24	.083	Not Significant
Education	6.73	.346	Not Significant
Residential Status	.324	.850	Not Significant
Banking Profile			
Type of Banks	1.33	.856	Not Significant
Number of Bank Accounts	1.66	.948	Not Significant

Type of Cards	1.32	.518	Not Significant
Ownership of Credit Cards	5.15	.076	Not Significant
General Opinion	3.62	.459	Not Significant

Source: Calculated

From the ongoing analysis, it is understood that, from among the Demographic Profile, the variables Age, Income, Gender, Occupation, Marital Status, Residential Status and Education do not influence the Levels of Satisfaction on the E-Banking Services and among Banking profile the variables Type of Banks, Number of Bank Accounts, Type of Cards, Ownership of Credit Cards and General Opinion on E-Banking transactions do not influence the Levels of Satisfaction. Hence it is observed that both the variables under demographic Profile and banking Profile have no influence over the e-banking services because everybody ought to adopt the innovations irrespective of the backgrounds.

6. SUGGESTIONS

- Technology being on widespread some is still unaware of benefits and uses of the services provided. Therefore effective awareness must be created among customers through training and notices given regarding innovative services provided.
- Mostly services being computerized there is less interaction between staffs and customers in inquiring their queries, clearing doubts e.t.c. So bank should allot staffs who are specialized in new services, so customers have wider scope in getting personnel advices to avail new services as well as knowing the operation of the services better.
- Bank must not only explain what role does innovative services play but also let them be familiar with the functioning and related technical words used for it.
- Customers must be well informed about the overall security of computerized transaction by conducting workshops to prevent cyber threats and crimes.
- Bank needs to inculcate positive and secure feeling towards customer in adopting more innovative service.

7. CONCLUSION

Financial system in India has grown rapidly in the last three decades with stiff competition and advancement in technology, the service provided by the bank has become more easy and convenient. As there is an imperative need to keep them up to date. It is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Adoption of stringent prudential norms and higher capital standards, better risk management systems, adoption of internationally accepted accounting practices and increased disclosures and transparency will ensure the Indian Banking industry keeps pace with other developed banking systems. Based on the research conducted, it is evident that Tech based banks play a crucial role in developing a strong relationship with customers as well as trying to increase self confidence in adopting newly introduced services. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer.

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