

## **Bankers' Challenges in E-Banking Adaptation: With Reference to Private Sector Banks in Mysore City**

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### **ABSTRACT**

*India's banking system has several outstanding achievements and the banks are the main participants of the financial system in India. The banking sector offers various facilities and opportunities to their customers. The introduction of E-banking in banking services has made very structural changes in service quality, managerial decisions, operational performance, and profitability and also on the productivity of the banks. E-banking is one of the emerging trends in the Indian banking and it is playing a unique role in strengthening the banking sector and improving service quality. Internet banking and other modes of e-banking have been a blessing for banking as far as speed, convenience and the cost of delivery. Internet banking is changing the banking industry, having the major effects on banking relationships. E-banking has several advantages like it can handle the payments electronically and interbank settlement faster and in large volumes. There is an increase in customer satisfaction level, reduction in cost of banking operations, increased productivity and it indicates that there is a tremendous scope for Indian banks to enlarge their E-banking services which enables their competitive ability. The present study analyzes the various challenges faced by the bank in adopting E-banking activities.*

**Keywords:** Emerging trends, Customer satisfaction, E-banking activities.

### **INTRODUCTION:**

Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sectors of the economy and usher in a new dawn of progress on the Indian horizon. The banking system had to serve the goals of economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry. Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Banks have been delivering electronic services to consumers and businesses remotely for years. Banks are deemed to be the early users of technology and the main drivers of technological revolution. Electronic funds transfer, including small payments and corporate cash managements systems, as well as publicly accessible automated machines for currency withdrawals and retail account management, are global fixtures.

According to RBI report (2013) the levels of banking services offered through INTERNET can be categorized in to three types: (i) The Basic Level Service is the banks' websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail, (ii) In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit any fund-

based transactions on their accounts, (iii) The third level of Internet banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc.

E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. E-banking helps us in overcoming the drawbacks of manual system, as computers are capable of storing, analyzing, consolidating, searching and presenting the data as per the user requirements with lot of speed and accuracy. E-banking offers the convenience of conducting most of the banking transactions at a time that suits the customer. The customer can access funds and transfer funds between accounts, Pay bills and make purchases 24 hours a day, 7 days a week. However, the increased world-wide acceptance of the internet as a delivery channel for banking products and services provides new business opportunities for banks as well as for customers. At the same time this new opportunities carry risks as well as benefits.

## **REVIEW OF LITERATURE:**

A lot of research has been conducted on E-banking over the last few decades. The present study reviewed seven articles pertaining to the study.

Sumra, Manzoor and Sumra (2011): They conducted a study on “The Impact of E-Banking on the Profitability of Banks: A Study of Pakistani Banks”. The aim of the study was to examine the impact of e-banking on the profitability of twelve Pakistani banks. The study discusses the effect of customers’ literacy on provision of services from banks’ perspective and the basic motive of banks to adopt e-banking services. The study arrived at a conclusion that e-banking has increased the profitability of banks and it has enabled the banks to meet their costs and earn profits during the short span of time.

Hassanuddin, Addullah, Mansor and Hassan (2012), they conducted a study on “Acceptance towards the use of internet Banking Services of co-operative Bank”. The paper identifies the factors influencing the acceptance of internet banking service in Malaysian Co-operative bank also known as Rakyat bank. The study concludes that the banking industry as a whole and Rakyat bank should sustain its competitiveness by exploring and attracting employees and customers to adopt the i-Rakyat Internet banking services.

Tater, Tanwar and Murari (2012) conducted a study on “Customer Adoption of Banking technology in Private Banks of India”. The study emphasizes the perception of Indian customers on the usage of technologies that enables them to adopt banking technology. The study shows that banking technology helps to increase customer satisfaction, loyalty, improvised growth and performance of the banks. The study indicates that there is a relation between benefits of banking services and increasing banking technology adoption. Customer’s unwillingness to use e-channel for commercial purpose decreases banking technology adoption.

Rajani had undertaken a thesis on “Problems and prospects of bank computerization – a study of selected co-operative banks in Pune”. The aim of the study was to ascertain the progress made by selected co-operative banks in the context of bank computerization. The present study includes the data from the year 2003 to the year 2008. The findings of the study highlights about 68.50% of the customers are using e-banking services and particularly ATM service for their day to day banking transactions, where as 26.50% of the customers make use of internet banking services, 16.00% are accustomed to mobile banking and 20.50% of the customers are still using traditional banking system for their banking transactions. The suggested that banks should take the responsibility to make the customers aware of e-banking services.

Muzividzi and Mbizi (2013) had presented a paper on “An analysis of factors that influence internet banking adoption among intellectuals: Case of Chinhoyi University of technology”. The purpose of the research project was to identify the factors that affect the adoption of internet banking in a bid to construct ways to salvage the situation. It is stated in the paper according to the Reserve Bank of Zimbabwe (RBZ) March 2011, Quarterly Bank Supervision Bulletin, there are 17 commercial banks in Zimbabwe of which almost 50% of them provide Internet banking services. They recommended that effective privacy protection laws considering the Internet environment would help to build trust and consumer confidence and engage more with customers to identify critical areas of need to improve the delivery of e banking products.

Vyas (2012) focused a study on “Impact of E-Banking on Traditional Banking Services”. The study suggests that e-banking transaction needs some interface to communicate with banking customer. All the electronic transaction performs through some interfaces. The study further explains meaning, functions, types, advantages and limitations of e-banking, the impact of e-banking on traditional services and it also states that e-banking is a borderless entity permitting anytime, anywhere and anyhow banking.

Khandelwal (2012) contributed a paper on “E-banking innovations: trends in India”. The study explores that the growth of China as industrial centre and India as key player in software services are good examples.

Consequently, the key future trends analyzed in more detail for their impacts on E banking services in India. The study also provides information on a review of selected future trends and analysis of their potential impacts. It concludes that banks need to establish a customer-centric infrastructure and build and improve capabilities for the “pull” customers using innovative technologies and tactics. Integrating Internet and mobile channels into this customer-centric infrastructure will be a key success factor for banks in the future.

**OBJECTIVES OF THE STUDY:**

The following are the major objectives of the study:

- 1) To analyze the Socio-economic background of the respondents;
- 2) To highlight the various E-banking services offered by the banks;
- 3) To study the methodology used by the banks to encourage E-banking services;
- 4) To highlight the importance of E-banking services;
- 5) To find out the challenges faced on adoption of E-banking services;
- 6) To offer suggestions in the light of the study.

**RESEARCH METHODOLOGY:**

The present study is a case study in nature. The data required for the present study has been collected from both primary and secondary sources. The primary data was collected from employees of Karnataka Bank Ltd and Canara Bank Ltd, Mysore by direct interview through questionnaire. A questionnaire was constructed for collecting primary data from employees working at Karnataka Bank Ltd and Canara Bank Ltd, Mysore. A sample of 40 employees was considered or chosen at random. The method of sampling used is systematic random sampling. The secondary data was collected from research publications in books, journals and periodicals, dailies and reports available on the chosen topic. The analysis of data is done by using percentages.

**RESULT AND DISCUSSION:**

**Socio-economic background of the respondents:**

Table No. 1 describes the socio-economic background of the bank employees in Mysore city. Majority of the respondents numbering 20 were above 40 years and they represented 50.0 per cent. Followed by respondents between 30-40 years and less than 30 years and they represented 30.0 per cent and 20.0 per cent respectively. Majority of the respondents numbering 28 and representing 70.0 per cent were male respondents as against female respondents numbering 12 and representing 30.0 per cent. The respondents having graduation level of education stood at 80.0 per cent and followed by post-graduates and professionally qualified with 10.0 each respectively. Nearly, 104 respondents representing 70.0 per cent of work experience for more than 16 years.

**Table No 1: Socio-economic background of the respondents**

Sl. No.	Particulars	Frequency	Percentage
1.	<b>Age Pattern:</b>		
	a) Less than 30 years	08	20.00
	b) Between 30-40 years	12	30.00
	c) Above 40 years	20	50.00
2.	<b>Gender:</b>		
	a) Male	28	70.00
	b) Female	12	30.00
3.	<b>Educational Background:</b>		
	a) Graduate	32	80.00
	b) Post- Graduate	04	10.00
	c) Professionally qualified	04	10.00
4.	<b>Work Experience:</b>		
	a) Less than 10 years	08	20.00
	b) Between 10-15 years	04	10.00
	c) Above 16 years	28	70.00

Source: Field Survey

**E-banking services offered by the banks:**

Table No. 2 presents the various E-banking services offered by the banks in Mysore city. All the respondents i.e., 40 were highly agreed with the services provided by the banks such as issuing of ATM Banking, Debit cards, Mobile banking and Internet banking. Around 50.00 percent of the respondents were highly agreed by the telephone banking services and some of the bankers were disagreed and their percentage stood at 15.00 percent.

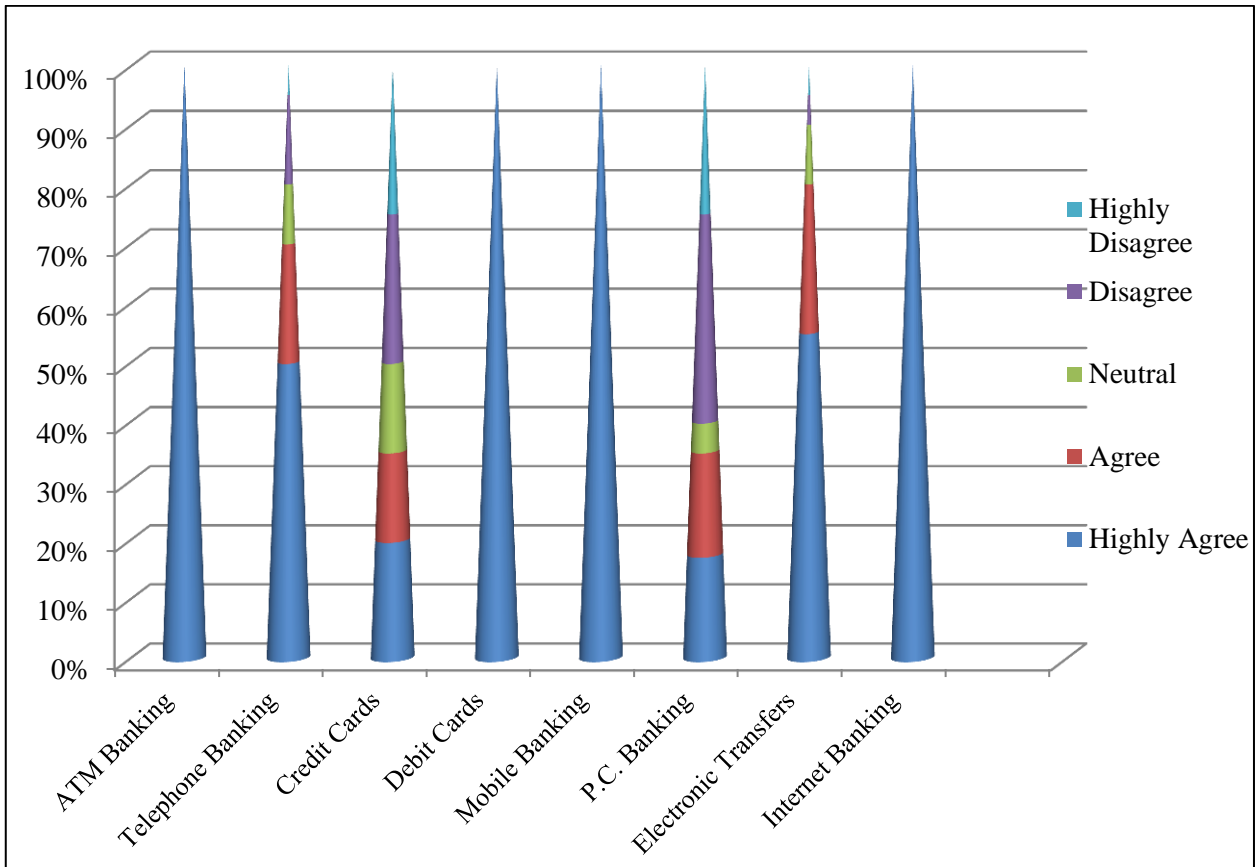
**Table No 2: E-banking services offered by the banks**

<b>E-banking Services</b>	<b>Highly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Highly Disagree</b>
ATM Banking	40 (100.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)
Telephone Banking	20 (50.00)	08 (20.00)	04 (10.00)	06 (15.00)	02 (5.00)
Credit Cards	08 (20.00)	06 (15.00)	06 (15.00)	10 (25.00)	10 (25.00)
Debit Cards	40 (100.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)
Mobile Banking	40 (100.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)
P.C. Banking	07 (17.50)	07 (17.50)	02 (5.00)	14 (35.00)	10 (25.00)
Electronic Transfers	22 (55.00)	10 (25.00)	04 (10.00)	02 (5.00)	02 (5.00)
Internet Banking	40 (100.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)

**Source:** Field Survey

**Note:** Figures in parenthesis indicates percentages.

**Graph No 2: E-banking services offered by the banks**



Majority of the bankers were disagreed with the P.C. Banking services provided by the bank with representing 35.00 percent and then followed by high disagree with 25.00 percent. Out of the total respondents, 55.00 percent of the bankers were highly agreed and 25.00 per cent bankers were agreed with Electronic Transfers service by the banks.

**Methodology used by the banks to encourage E-banking services:**

Table No. 3 represents the methods used by the banks to encourage customers to adopt E-banking services. From the total respondents nearly 50.0 per cent of the bankers were highly agreed and agreed with service made by the banks by reducing charges & fees for the customers. Around 20.0 per cent of the respondents were disagreed with the intensive advertisements given by the banks. Among the respondents 35.0 per cent and 17.50 percent of the bankers were disagreed and highly disagreed for contacting every customer personally to adopt E-banking services. Around 30.0 percent of the respondents were giving demonstration on using of E-banking to its customers.

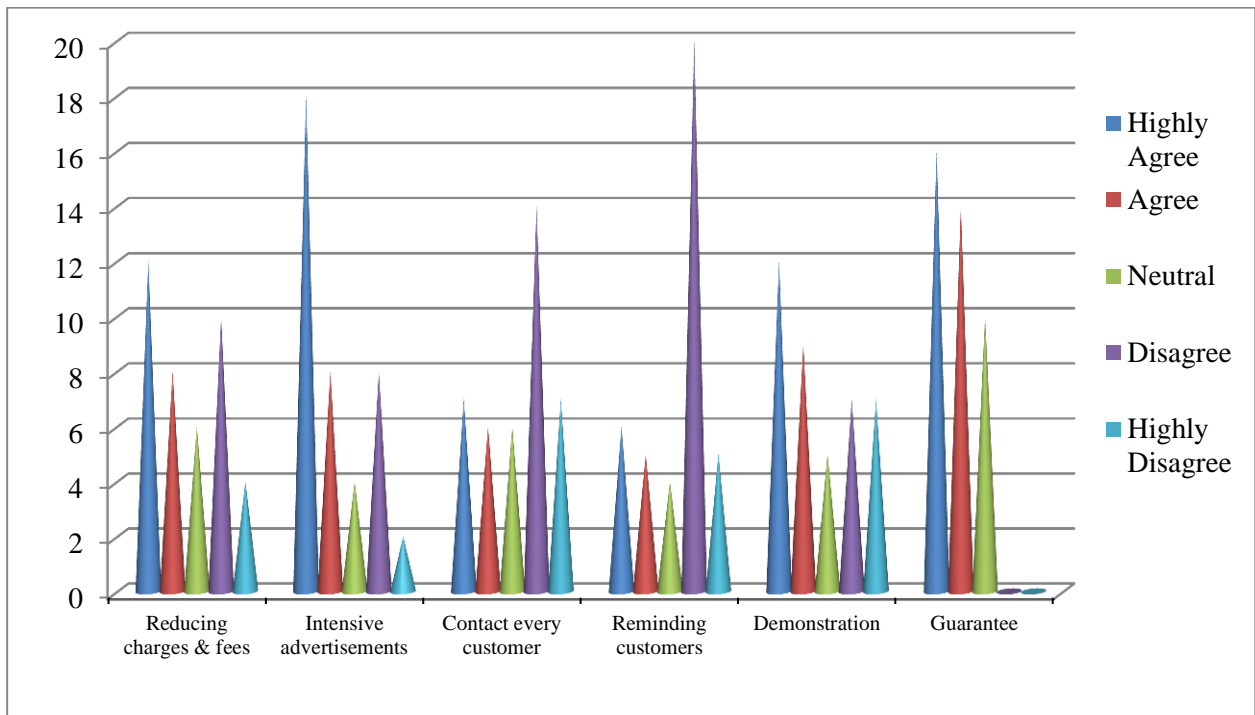
**Table No 3: Methodology used by the banks to encourage E-banking services**

E-banking Services	Highly Agree	Agree	Neutral	Disagree	Highly Disagree
Make them cheaper by reducing charges & fees	12 (30.00)	08 (20.00)	06 (15.00)	10 (25.00)	04 (10.00)
Intensive advertisements	18 (45.00)	08 (20.00)	04 (10.00)	08 (20.00)	02 (5.00)
Contact every customer personally	07 (17.50)	06 (15.00)	06 (15.00)	14 (35.00)	07 (17.50)
Keep on reminding customers through written communication	06 (15.00)	05 (12.50)	04 (10.00)	20 (50.00)	05 (12.50)
Demonstration on how to use services to them	12 (30.00)	09 (22.50)	05 (12.50)	07 (17.50)	07 (17.50)
Giving them guarantee of security and policy	16 (40.00)	14 (35.00)	10 (25.00)	00 (0.00)	00 (0.00)

Source: Field Survey

Note: Figures in parenthesis indicates percentages.

Graph No 3: Methodology used by the banks to encourage E-banking services



**Importance of adoption of E-banking Services:**

Table No. 4 indicates the importance of adoption of E-banking services according to the employees of the banks in Mysore City. Majority of the respondents agreed that E-banking services are faster than traditional banking services, there is an opportunity to access the banking services from anywhere & E-banking services are generally cheaper than traditional banking services and their percentage stood at 70.0 per cent.

Table No 4: Importance of adoption of E-banking Services

Statement	Highly Agree	Agree	Neutral	Disagree	Highly Disagree
E-banking services are generally faster than traditional banking	08 (20.00)	28 (70.00)	04 (10.00)	00 (00.00)	00 (00.00)
Opportunities to access the banking services from anywhere.	08 (20.00)	28 (70.00)	04 (10.00)	00 (00.00)	00 (00.00)
E-banking services are more profitable than traditional banking services.	04 (10.00)	28 (70.00)	08 (20.00)	00 (00.00)	00 (00.00)
E-banking services are generally cheaper than traditional banking services	04 (10.00)	28 (70.00)	04 (10.00)	00 (00.00)	00 (00.00)
Using E-banking service is more prestigious than queuing at the bank halls.	04 (10.00)	24 (60.00)	10 (00.00)	12 (30.00)	00 (00.00)
Adopting E-banking helps in retaining more customers	04 (10.00)	24 (60.00)	12 (30.00)	00 (00.00)	00 (00.00)
E-banking provides security in the transactions & avoids risk in handling of large amount of cash.	08 (20.00)	28 (70.00)	00 (00.00)	04 (10.00)	00 (00.00)

Source: Field Survey

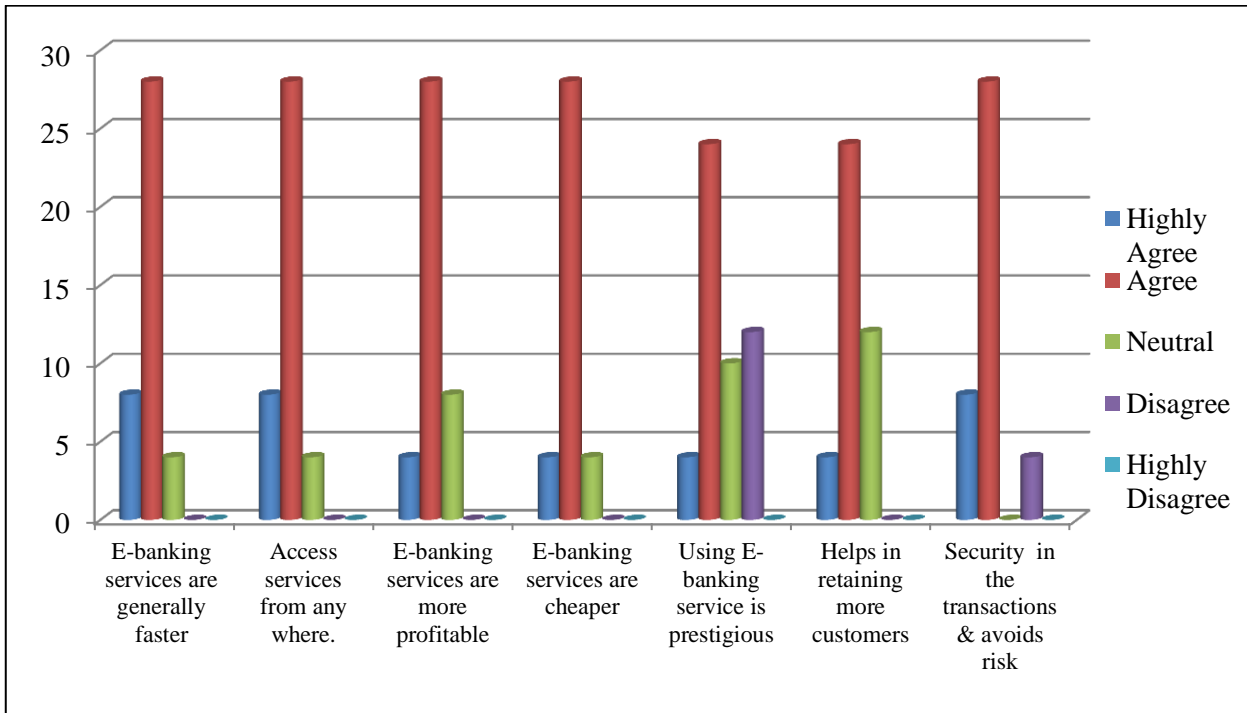
Note: Figures in parenthesis indicates percentages

Among the total respondents, 60.0 per cent of the bankers agreed with the usage of E-banking are more prestigious for the customers and adoption of –banking helps the banks to retain more customers. Around 10.0



percent of the respondents opined that they are disagreed with the security of the transactions & maintenance of risk in E-banking.

**Graph No. 4: Importance of adoption of E-banking Services**



**Challenges faced:**

Table No. 5 shows the challenges faced by the bank in the adoption of E-banking services. From the table it is clear that 70.0 per cent of the respondents were disagreed with the high cost of adoption on E-banking for the customers. Around 40.0 per cent of the bankers opined that customers prefer traditional banking services than E-banking services and 20.0 percent of the respondents have neutral opinion on the effect of E-banking on the profitability of the bank. Majority of the respondents agreed with the lack of technological awareness, infrastructural facilities, improper laws & regulations and privacy on customers’ information are the challenges faced by them and their percentage stood at 50.0 per cent.

**Table No 5: Challenges faced the bank in the adoption of E-banking services**

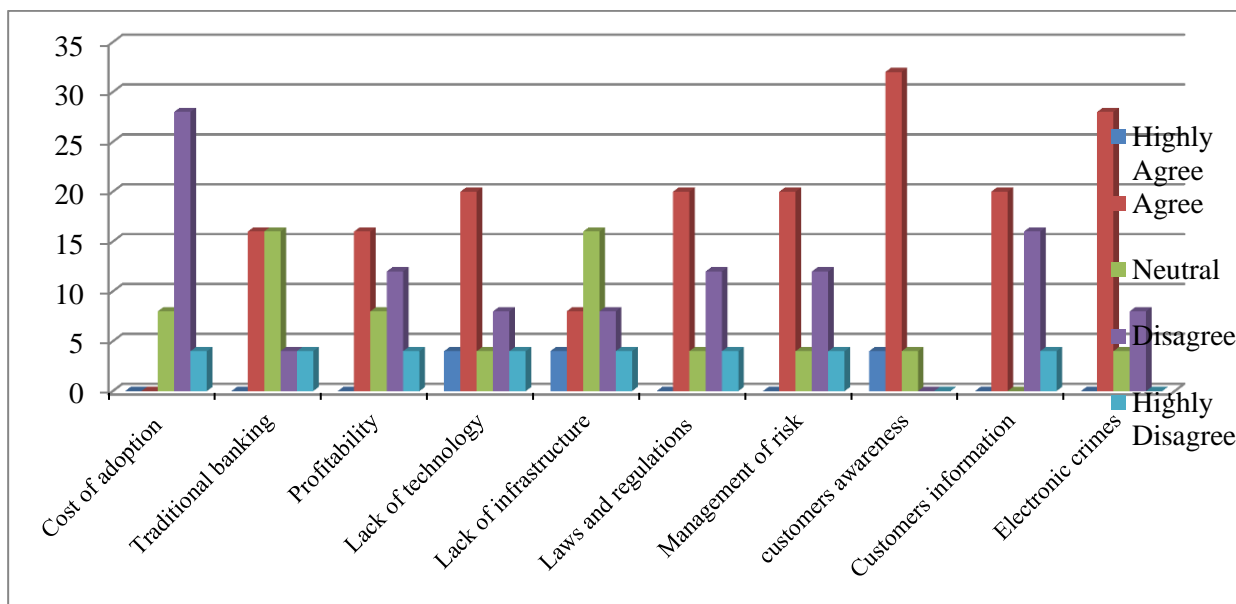
Statement	Highly Agree	Agree	Neutral	Disagree	Highly Disagree
Cost of adoption is high	00 (00.00)	00 (0.00)	08 (20.00)	28 (70.00)	04 (10.00)
Customers prefers traditional banking	00 (00.00)	16 (40.00)	16 (40.00)	04 (10.00)	04 (10.00)
No differences in profitability of the bank on adoption of E-banking	00 (00.00)	16 (40.00)	08 (20.00)	12 (30.00)	04 (10.00)
Lack of technological awareness by the bankers	04 (10.00)	20 (50.00)	04 (10.00)	08 (20.00)	04 (10.00)
Lack of infrastructural facilities in the bank	04 (10.00)	08 (20.00)	16 (40.00)	08 (20.00)	04 (10.00)
No proper laws and regulations for E-banking	00 (00.00)	20 (50.00)	04 (10.00)	12 (30.00)	04 (10.00)
Fear in management of risk	00 (00.00)	20 (50.00)	04 (10.00)	12 (30.00)	04 (10.00)
Most of the customers are not aware of E-banking services	04 (10.00)	32 (80.00)	04 (10.00)	00 (0.00)	00 (0.00)
E-banking services generally do not	00	20	00	16	04

have privacy on customers information	(00.00)	(50.00)	(0.00)	(40.00)	(10.00)
Increasing in electronic crimes on E-banking	00	28	04	08	00
	(00.00)	(70.00)	(10.00)	(20.00)	(00.00)

**Source:** Field Survey

**Note:** Figures in parenthesis indicates percentages

**Graph No 5: Challenges facing the bank in the adoption of E-banking services**



**FINDINGS OF THE STUDY:**

The following are the major findings of the study:

- Majority of the respondents numbering 20 were above 40 years and they represented 50.0 per cent. Followed by respondents between 30-40 years and less than 30 years and they represented 30.0 per cent and 20.0 per cent respectively.
- Majority of the respondents numbering 28 and representing 70.0 per cent were male respondents as against female respondents numbering 12 and representing 30.0 per cent.
- All the respondents i.e., 40 were highly agreed with the services provided by the banks such as issuing of ATM Banking, Debit cards, Mobile banking and Internet banking.
- Out of the total respondents, 55.0 percent of the bankers were highly agreed and 25.0 per cent bankers were agreed with Electronic Transfers service by the banks.
- From the total respondents 30.0 per cent and 20.0 percent of the bankers were highly agreed and agreed with service made by the banks by reducing charges & fees for the customers.
- Among the respondents 35.0 per cent and 17.50 percent of the bankers were disagreed and highly disagreed for contacting every customer personally to adopt E-banking services.
- Out of the total respondents, 70.0 per cent of the respondents were disagreed with the high cost of adoption on E-banking for the customers.
- Majority of the respondents agreed with the lack of technological awareness, infrastructural facilities, improper laws & regulations and privacy on customers’ information are the challenges faced by them and their percentage stood at 50.0 per cent.
- Among the total respondents, 60.0 per cent of the bankers agreed with the usage of E-banking are more prestigious for the customers and adoption of –banking helps the banks to retain more customers.
- Around 10.0 percent of the respondents opined that they are disagreed with the security of the transactions & maintenance of risk in E-banking.

**SUGGESTIONS FOR THE STUDY:**

The following are the major suggestions for the study:



- The employees of the banks may not be in a position to handle sophisticated level of technology because of lack of knowledge or skill therefore; banks should take the necessary steps to provide adequate training to their employees.
- The banks should take necessary steps for adequate logical security to prevent frauds on usage of E-banking services.
- The banks should promote telephone banking and mobile banking services to its customers and the banks have to play an important role in educating their customers on E-banking services.
- All E-channels should be equally advertised to make the masses aware especially in local language and with demonstration in exhibitions.
- Special seminars, exhibitions etc. should be arranged to aware the rural and semi-urban people about electronic banking system.
- Mobile and internet banking has the highest impact on productivity even cost-effective so must be popularize among the masses with effective marketing policies.
- The banks should define sufficient logs for all steps if E-banking transaction process, intercepting and controlling whole transactions.

**CONCLUSION:**

Increasing competition has become a challenge for Indian banks but it also provides thoughtful opportunities to develop the banking business as per international standards. The technology holds the key to success of Indian banks. E-banking is a borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as compared to traditional banking services. The availability of innovative, technology-led banking services is a top priority for the banking customer of the future. Thus, in this environment technology led innovation can become a significant differentiating factor for banks. They can create opportunities to improve their customer value proposition, i.e., to fulfill the demand for simplicity, self-control, mobility, personalized service, and consistency of customer experience for each customer segment across various channels. The rapid pace of change of information technology presents the banks also with the risk of system obsolescence and hence huge costs.

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