

A STUDY TO IDENTIFY THE PROBLEMS RELATED TO E-BANKING SERVICES BY COMMERCIAL BANKS IN INDIA

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ABSTRACT

Current study aims to identify the problems related to the e-banking services by commercial banks in India. Study was based on the opinions of the bank employee working at manager level in public and private banks of India. Sample size of the study was 120 from twenty commercial banks out of which ten were public sector banks and ten were private sector banks. Researcher has used factor analysis to identify the major problems which are being faced by the commercial banks in expanding their e-banking services in the country. It was found from the study that majority of the problems are related to the technology or infrastructure, followed by customers related problems and employees related problems. While the problems related to the customer care services are least among all kind of problems.

Keywords: E-banking, banks, Commercial banks, public and private sector banks, India, technological problems, and Customer care services.

INTRODUCTION

In any country one of the parameter of how strong an economy is that how many business transactions happen through Internet (Agarwal&Karahanna, 2000). Electronic or E-payments is an important element of same which is governed by a set of regulations. This E-Payment basically involves transfer of money from account of one person to another person either in same or different banks in lieu of a product or service. Mainly, internet is used as a platform for same through which all instructions and communications are passed (Singh, 2011). Its role is like veins in human body which flows money in the economic system. E-payment system can be used for traditional monetary transactions, digital money transfers or Debit/Credit payments. Payment instruction is given by the Buyer to his bank who credits the payment to Buyers' bank and then Buyer's bank transfers the amount in the account of Seller. For this, bank makes use of Information & communication technology including cryptography and remote communication networks. At the same time, Electronic Banking or E-Banking is the system wherein banks provide a host of financial services to customers through electronic means mainly Internet. As of now it runs parallel to the traditional system of banking transaction.

The main advantage of this system is that it gives freedom to the customers to make financial transaction at the time and place of their choice without any need to stand up in the line or being physically present in the bank before close of business hours. Various intermediates for electronic banking are mainly; ATM machines, Internet, Mobile banking, Point of sale machines etc. Financial transactions can basically be classified into

seeking information, giving instructions & normal banking. It is a known fact that no business can survive whose customers/consumers are not satisfied since it is customer satisfaction that defines the behaviour of customer. Hence, customer satisfaction is the mantra these days not only to ensure that an enterprise is able to survive the competition but also earns decent profits. But earning customer satisfaction is easier said than done as it is earned based on the interaction of customer with product/Company at various levels during an extended period of usage time. The 1st level of satisfaction is earned by selling a Product/Service which satisfies the customer's initial expectations. However, if in subsequent interaction with Machine/Organization customer gets same efficient response his initial satisfaction gets reinforced. Companies try to work at even one higher level in order to give delight to the customer. This includes faster & efficient processing of the customer requirements irrespective of the amount of transaction at minimal cost, security of his financial transaction in case of server issues & security of the personal information. E-Banking is increasingly being used as an efficient tool by banks to achieve above aim & it is a win-win situation both for banks & the customers. While, the bank saves on salaries, infrastructure & maintenance cost; the customer saves on time & transportation cost apart from doing banking from the comfort of his home.

Thus, it is clear that Internet banking provides the customer ease of availing the product or services from the comfort of his office or home & at a time convenient to him. In other words, main advantage is that the customer's dependency on bank staff is completely gone and there is no tiredness & stress of standing in queues. Also, this is faster than the traditional banking thereby saving time and money (Singh, 2011). Not only that various other operations such as checking account statement, ordering cheque book, trading in stocks, investing in stocks etc. are also available at the click of the mouse 24X7 and 365 days. Moreover, banking services can be accessed through Personal computer, Smart Phone, and Digital TV and various other electronic gadgets (Sylvie, 2005). The only thing which is required is internet connectivity (Agarwal&Karahanna, 2000).

However, even today, though the growth of Internet banking is fast paced, still the customers using it are small as compared to total number of account holders (Verma et al., 2007). Customers are still hesitant to use Internet banking due to various challenges which are there with regards to various aspects of banking transactions (Uppal, 2010).

The First one is Security Risk due to which out of the total population using Internet only half goes for E Banking. Another concern is with regards to Privacy of customer data. Many customers are afraid that if they will submit their personal information which is required for internet banking that might be misused by somebody for fraudulent transactions in their name or even withdrawing money from their account. Trust factor with the banks is missing in majority of the cases where customer hesitate to use Internet banking. Trust is not only in terms of misuse of private information but also the feeling is what will happen if by mistake some wrong button is pressed? Customer worry is on account that he might lose money and that cannot be claimed back as he himself has done the transaction. Hence, he wants to rely on traditional system of banking only where clerk does the work despite it resulting in wastage of time and money. Another major issue is the lack of general awareness about internet banking; as still today major population of India lives in rural area where literacy level is low and as a result they are not tech savvy. Banks find it difficult to percolate down the masses the use and benefits of Internet banking in such areas. Last but not the least is the lack of internet availability and knowledge

about this amongst the users in major parts of India. However, the internet subscribers are increasing at fast rate with the increase in growth rate of penetration of smart Phones in India.

REVIEW OF LITERATURE

Hussain et al. (2017) revealed that late delivery of cash from Automated Teller Machines, wrong deduction of funds, cyber-crimes, account hijacks, customer privacy, lack of secrecy in banking transactions, lack of technical knowledge among the bank, cost of the transactions, demographic factors, improper accessibility of internet were found to be the major hurdles in the adoption of e-banking services by the customers. Nidhi (2016) revealed that online banking services possess the potential to be recognized as best mode of banking in the near future. The customers preferred to utilize e-banking services due to the availability of multiple channels of customer services, beginning of rural banking, competitive advantage, retail lending, cashless withdrawal, online tax payments, round the clock tweets, response to customers and use of SMSs to be in touch with customers. Sharma (2016) emphasized that there is a dire need to strengthen the technological infrastructure in the country for the growth of online banking services and the accessibility of the internet to the rural parts of the country. Besides, it is the responsibility of banks to make their customers sentient towards the benefits of utilizing the online banking services. Chauhan and Choudhary (2015) stated that that risk related to the safety, inappropriate transactions, lack of trust among customers, issue related to internet connectivity, and the low level of awareness among the customers were found to be the main causes of customer's reluctance towards the utilization of internet banking services. Abdou et al. (2014) have ascertained the security risks associated with Internet banking. The increase in e-banking services has led to increase in security risks attached with the digital transactions in terms of Phishing, compliance risk, operational or transaction risk as well as strategic risk. Erdmann et al. (2014) have illuminated the need of strategic decisions for the banks to survive in the competitive environment. New era has witnessed the increase in the expectations of the customers as technology has made them expect more from the banks in terms of convenient, swift and immediate responses. Mehrotra (2014) also found that the global technology trends had been getting relevance in almost all Asia-Pacific countries at a fast pace. The study suggested that it is significant for banks to acknowledge the needs of the customers. Gupta (2008) illuminated that customers belonging to high-income groups preferred to use internet banking services. The research also highlighted that problems related to safety and confidentiality were found to be the prominent reasons to confine the registered internet banking users to conventional banking. The study emphasized that banks must focus on specific segment groups to increase their revenue from internet banking services. Besides this, banks must make their customers sentient towards the benefits of e-banking services.

OBJECTIVES

The main objective is to identify the major problems which are being faced by the commercial banks in expanding their e-banking services in the country. The study also aims to give suggestions for the improvement in the e-banking services of commercial banks.

RESEARCH METHODOLOGY

The current study was based on the opinions of the bank employee working at manager level in public and private banks of India. As per the nature of the study, data has been collected from the bank employees as they

can better tell what are the main problems or hurdles they have to face while providing the e-banking services to the customers. Hence, the respondents of the study were bank employees, and the method of data collection was survey only for which a survey form was developed and distributed to the bank employees for getting their opinions. Sample size of the study was 120 from twenty commercial banks out of which ten were public sector banks and ten were private sector banks. Researcher has used factor analysis to identify the major problems which are being faced by the commercial banks in expanding their e-banking services in the country.

DATA ANALYSIS AND FINDINGS

This section comprises the analysis of survey conducted on the bank employees working in public and private sector banks. Researcher has done the analysis using Factor analysis, and descriptive analysis method.

Reliability of the research instrument was measured with the help of Cronbach Alpha method, which is a widely used method for reliability testing. The value of alpha should be above 0.70, for being reliable of the research instrument used in the study for collection of the data from the respondents. if the value of Alpha is near to one then it shows high level of reliability or consistency in the responses of the respondents (Cronbach, 1951)¹.

Table 1: Reliability Analysis

Description	Alpha value	Number of statements
Questionnaire	0.971	45

INTERPRETATION

It was found that the alpha value for the questionnaire used for the bank employees was 0.971, which is near or close to one which shows that the questionnaire was reliable and there is a consistency in the responses of the respondents. Hence, questionnaire can be used for further analysis.

Researcher has used exploratory factor analysis to to identify the major problems which are being faced by the commercial banks in expanding their e-banking services in the country, using varimax rotation and Principal component method in the study.

Table 2: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin (KMO) Value		.933
Bartlett's Test value	Chi-Square Value	43862.780
	Degree of Freedom	990
	p-value	.000

¹Cronbach LJ (1951). "Coefficient alpha and the internal structure of tests". *Psychometrika*. **16** (3): 297–334.

INTERPRETATION

Table 2 shows the results of KMO and the Bartlett's test. The value of KMO test was 0.933, which shows that the data is adequate for applying factor analysis and the number of variables are adequate along with the sample size (Fabrigaret al., 1999)². Similarly; the value of Bartlett's test was found to be significant as the value of chi square was 43862.78 at a p-value of 0.000, which shows that there is an unequal variance in the sample used for factor analysis. This test is used to measure the homogeneity of the variances in the sample before applying the factor analysis or to measure the normality of the data.

Table 3: Total Variance Explained

Compon ent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Percentage of Variance	Cumulative percentage of Variance	Total	Percentage of Variance	Cumulative percentage of Variance	Total	Percentage of Variance	Cumulative percentage of Variance
1	8.609	40.995	40.995	8.609	40.995	40.995	5.093	24.252	24.252
2	3.293	15.683	56.678	3.293	15.683	56.678	4.048	19.279	43.531
3	2.592	12.344	69.022	2.592	12.344	69.022	3.830	18.239	61.769
4	1.470	7.000	76.021	1.470	7.000	76.021	2.993	14.252	76.021
5	.889	4.865	79.219						
6	.683	4.406	83.625						
7	.621	3.602	87.227						
8	.465	1.033	88.260						
9	.425	.945	89.206						
10	.409	.908	90.114						
11	.364	.808	90.922						
12	.341	.758	91.680						
13	.323	.719	92.399						
14	.279	.620	93.019						
15	.255	.566	93.584						
16	.239	.530	94.115						
17	.222	.493	94.608						
18	.192	.426	95.034						
19	.182	.404	95.438						
20	.178	.395	95.833						
21	.164	.365	96.197						
22	.143	.317	96.515						
23	.140	.311	96.825						
24	.125	.277	97.102						
25	.118	.261	97.364						
26	.107	.237	97.601						
27	.099	.219	97.820						
28	.096	.212	98.032						

²Fabrigar, L. R., Wegener, D. T., MacCallum, R. C., & Strahan, E. J. (1999). Evaluating the use of exploratory factor analysis in psychological research. *Psychological Methods*, 4, 272–299.

29	.085	.189	98.222						
30	.081	.181	98.402						
31	.072	.159	98.562						
32	.070	.155	98.716						
33	.067	.150	98.866						
34	.059	.130	98.996						
35	.056	.125	99.121						
36	.055	.123	99.244						
37	.052	.117	99.360						
38	.048	.106	99.466						
39	.044	.097	99.563						
40	.041	.091	99.654						
41	.037	.082	99.735						
42	.035	.077	99.813						
43	.031	.069	99.881						
44	.028	.062	99.943						
45	.026	.057	100.000						

INTERPRETATION

Eigen values and the variance table shows that there are total four factors whose eigen values is more than one, hence total factors extracted during the study were four factors. Total variance explained by these four factors were 76 percent and rest of the 24 percent variance can be explained by other chance factors. Total variance explained by first factor is 24.252 percent, second factor explains the variance 19.279 percent, variance explained by third, factor was 18.239 percent. The least percentage of variance was explained by last factor that was 14.252 percent.

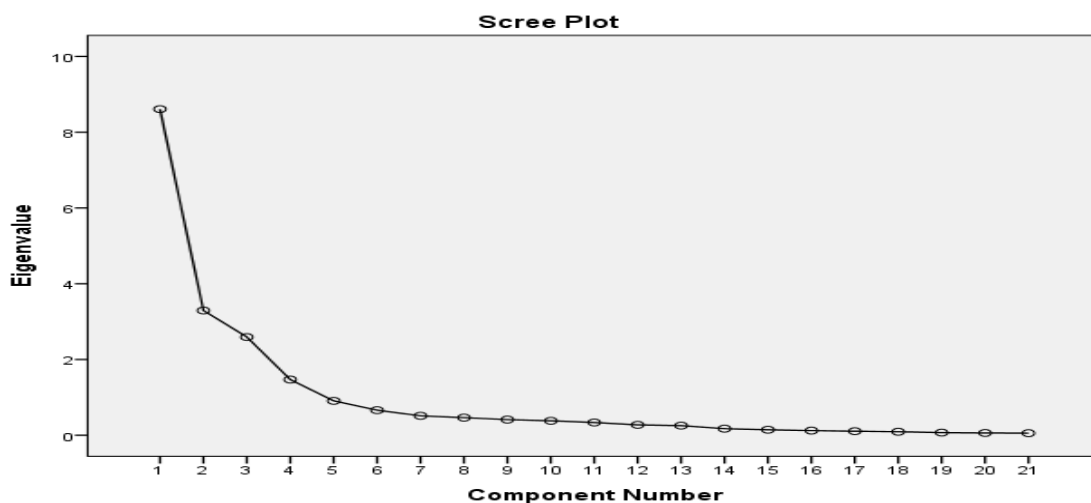


Figure 1: Scree Plot

INTERPRETATION

Scree plot the graphical representation of the Eigen values and the number of variables entered in the factor analysis. It shows that the elbow of the scree plot starts from the variable 5 hence, the variables before the elbow have been considered in the study as number of factors extracted from the factor analysis. Hence, total four factors are there which reflects the problems faced by banks in providing e-banking services in India.

Table 3: Factors loadings using Varimax Rotation

S. No.	Description	Factor Loadings
Factor 1: Technological or Infrastructure related Problems		
1	Lack of latest or updated machines or technology	.915
2	Complex design of bank website	.903
3	Poor internet connectivity	.900
4	Lack of compatibility of the bank website	.900
5	Software related problems	.892
6	Huge investment for the technical infrastructure	.890
7	Cybercrimes or internet related frauds	.878
8	Lack of User friendly bank website	.873
9	Lack of Support from IT vendors	.845
10	Lack of alternates in case of failure of system	.844
11	Inability to maintain the secured IT infrastructure	
12	Lack of regulatory framework for Internet banking transactions in India	
13	Problem related to data loss due to network attack	
Factor 2: Customers related problems		
1	Lack of internet knowledge among bank customers	.809
	Lack of trust in making e-transactions	.806
3	Lack of awareness about the usefulness of e-banking	.797
4	Illiteracy or lack of education among bank customers	.786
5	Risk averse nature of the bank customers in adopting e-banking services (risk of losing the money while making e-transactions)	.782
6	Lack of confidence among bank customers in maintaining privacy of the bank customers	.779
7	Lack of internet access by bank customers	.774
8	Limited internet users due to high cost of data plans or unavailability of internet services	.756
Factor 3: Employees Related Problems		
1	Lack of technical knowledge among bank employees	.879
2	Lack of competitive staff in the banks	.866

3	Inability of bank employees in handling customers' problems or grievances	.857
4	Slow speed of the bank employees in using computers or equipment	.849
5	Lack of training programs for updating the technical knowledge of the employees	.845
6	Disinterest of the bank employees in learning new technology	.798
Factor 4: Problems related to Customer care services		
1	Lack of policies to take feedback from customers on e-banking services	.860
2	Unavailability of customer grievance cell for the complaints related to e-banking	.849
3	Lengthy and complex process for obtaining internet banking ID and passwords	.836
4	High transaction fees or renewal fees for credit cards, debit cards etc.	.828

INTERPRETATION

There are total four factors which shows the four different kind of problems which are being faced by the bank employees in providing e-banking services. These problems have been categorized under four heads, problems related to technology, customers, employees, and customer care services. Total twenty-one variables describing different kind of issues related to e-banking services have been discussed and majority of the problems are related to the technology or infrastructure, followed by customers related problems and employees related problems. While the problems related to the customer care services are least among all kind of problems.

CONCLUSION

It can be concluded from the study that e-banking services play an important role in increasing the scope of the banking business, customer data base and accordingly the profits of the banks. The study mainly highlights the problems which are being faced by the commercial banks in India in providing e-banking services to the customers. It was found that lack of proper infrastructure and technological development is the major problems which makes it difficult for banks to provide e-banking services smoothly and without any hurdle. While banks are giving complete focus on improving the quality of customer care services and hence the customer care related problems are the least when compared to other problems or issues.

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