Transformation of Banking Industry Through E-Delivery Channels: An Empirical Study of Customers of Rural and Semi-Urban Area Banks of Punjab

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Abstract

Transformation is a never ending phenomenon of universe. Every society and its intuitions have been getting transformed since thousands of years. Various factors become responsible for every transformation. Banking industry of India is in the phase of transformation since its evolution. This process of transformation was motivated by various factors time to time. This sector has changed its way of operations after the introduction of Information technology. Internet banking, Mobile banking, credit/Debit cards, ATMs, Tele-banking etc. e-delivery channels have been introduced by the banks to perform various functions by its customers as well as their employees. As a result of it the ways of the banking has been changed in the economy. Digital India, Paper less banking, 24 hour banking etc. are the concepts launched by the Indian government are the result of these e-delivery channels. But the question rises how this transformation is conceived by all the sections of the society. India is known as an economy primarily based on rural section of the society. There is a big question, how this transformation of banking is perceived by the customers of banks in rural and semi-urban areas? Present research paper is an empirical study of bank customers of rural and urban areas regarding the transformation of banking industry. It addresses various questions like, How do customers take this transformation? How can this transformation be acclimatize ? This empirical study based on rural and semi-urban bank customers is an effort to determine the pace and direction of transformation of banking in rural and semi-urban areas through e-delivery channels.

Key words: Transformation of banking Industry,E-delivery channels of Banking,acclimatization of e-delivery channels.

Introduction

India is one of the largest democracies of the world with second largest population. After the 73 years of Independence the economy has become the largest market for the banking sector, which includes public sector banks, private sectors and foreign sector banks. Banking sector in India has introduced a large number of e-delivery channels and products to its customers. It will not be wrong to say that the banking sector in India has been transforming from traditional banking to modern banking..But knowledge about these channels and their operations is necessary for making any transaction through these channels. This is an assertion that Indian banking industry is totally transformed. There is no doubt that from service provider side the banking sector has been transformed totally but the other side of this transformation is customers acceptance and usage of these services by them. In rural and semi-urban areas these services are used with less intensity as compare to urban areas. Customers are using traditional banking methods as well as some of the e-delivery channels. Some studies reflect that ATM is the most used e-delivery channel in rural and semi-urban areas as compare to other e-delivery channels.It is clear that bank customers of rural and semi-urban areas are not using e-delivery channels as the new banking system demands. There is a need to find out the reasons behind it and to conduct analysis of the perceptions and expectations regarding e-delivery channels of customers of these areas to make these channels acceptable as per the needs of the customers.

There is no doubt that the future of e-delivery channels of banking is very bright,but these channels must be acceptable in urban ,semi-urban and rural areas equally. But at present there is huge gap in the number of users in these areas. In this global era every customer of the bank must be aware and user of these e-delivery channel only then Indian banks can compete with the foreign sector banks.

Review of Literature

Review of literature is an integrated part of every study, following studies have been consulted to determine the objectives of this paper ;

- Sellappan, R and Hariharan, AV (2013) found in their study that consumer's awareness plays an important role in customer decision making. The main objectives of this study was to identify the factors that have impact on use of ATM and Online Banking and to give findings and suggestions on features available in ATM and Online Banking Service during the period of study.The major findings of the study were: It was found that that there are 4 factors that help customers to getting awareness regarding ATM Service and ten factors are there that help customers to get awareness regarding Online Banking Services.

- Chandio, JA (2012) this study reflects that ATM or Automated Teller Machine has become main excel of the day in e-banking. ATM has made banking possible outside the bank premises without any time bound. ATMs have gained a lot of importance as a delivery channel among customers for banking transactions. It saves customers time and cost of services operation for the banks. ATM proved consumer banking more service oriented and user worthy.

- Kumbar, VM (2012) concluded that there are a number of techniques to the measure quality of e-services. This paper identifies various important dimensions of service quality which can be used to assess overall quality of e-service. According to this study availability of system, efficiency, effectiveness, responsiveness, assurance, convenience of contact, perceived value and brand reputation are most important service quality dimensions that can be used to assess service quality of e-services and customers satisfaction in e-service settings.

- Seranmadevi, R (2011) concluded that the initiative of e-banking by the bankswas to reduce transaction costs and to make banking easy for the customers. The study concluded that e-banks have the potential to extend accessible and convenient financial services as they do not require the "bricks and mortar" infrastructure. The paper examined the types of e-banking credit card technologies available to customers of Indian banks. It has also analyzed how various technologies may increase addressability, affordability and easiness of use for the customers.

- Uppal, RK and Rani, P (2011) expressed in the study that the information technology will be proved a blessing for the banking industry through reduction in the paper work and increased the customer base. This study shows that number of bank employees has decreased during the first phase (2000-01 to 2003-04) and second phase (2004-05 to 2007-08). The maximum downsizing took place in the second phase of IT.

- Khan, MA (2010) expresses that the significant aspects of ATMs is service quality and its impact on satisfaction of customers. Result of the study indicates that significant dimensions of ATM service quality are convenience, efficient operation, security, privacy and reliability. Service quality of ATM contributes positively and significantly toward customer satisfaction.

Transformation of banking sector has taken place in India due to introduction of e-delivery channels and Information technology. But any transformation can only be successful if all the stakeholders accept it adept themselves according to it. The banking sector that is spread in every nook and corner of the country has introduced e-delivery channels in all the branches, in urban areas customers are

using and taking advantages of these channels ,but in rural and semi-urban areas of the country where literacy rate is low as compare to urban areas these channels are not as much popular as in cities and metropolis. There is a need to know the perceptions and expectations of rural and semi-urban area bank customers regarding the transformation that is taking place in banking sector.

Objectives of the Study

The main objective of the study is analyze the level of awareness of rural and semi-urban area banking customers of Punjab regarding the transformation of Indian banking industry

> ➢ How bank customers use the e-delivery channels for their banking activities
> ➢ How the different e-channels can accelerate transformation of banking and various suggestion given by the bank customers of the study area regarding the transformation of banking sector

Methodology

This empirical study was conducted in rural and semi-urban areas of Punjab state that is one of the most prosperous state of India and rural areas and semi-urban areas have braches of all most all the bank groups. A survey was conducted by using a questionnaire. Customers were chosen randomly from every bank group that is public sector banks, Old private sector banks, New private sector banks and foreign sector banks. Data was collected from 500 bank customers. The questionnaire was designed to check the awareness level of customers regarding transformation of banking sector, e-delivery channelsand to get suggestion from the responded regarding the e-delivery channels . Five point Likert scale and ranking method was used to acquire the required information for the study. Various statistical tools like average, chi-square test ,t-test are applied to get the required results.

Results and Data Analysis

Information technology plays an important role in shaping the destiny of a nation and the introduction of computers has brought about this change. The Indian banking sector has invested heavily in technology. This is because Indian banks are realizing that effective use of technology will benefit them by improving their productivity, profitability and efficiency.

The study shows that the respondents of rural and semi-urban areas have diverse views regarding it, among the four bank groups, respondents of group-I i.e. 83 pc and respondents of semi-urban areas i.e. 69 pc are thinking that Indian banks are largely adopting the new technologies of e-banking.

Table.1.1 E-services are Transforming Banking Industry

(Percent)

Group /Sub Group	To V.Little Extent	To A Little Extent	Undecided	To Some Extent	To large Extent	Statistical Results χ^2,F,t
Banking Group						
1.Group-I				16.80	83.20	χ^2 =53.41**
2.Group-II			0.80	24.00	76.00	F=19.45**
3.Group-III				56.00	43.20	
4.Group-IV				36.00	64.00	
Area						χ^2 =3.33

1.Rural				36.67	63.33	t=1.384
2.Semi-Urban			0.38	30.00	69.62	
Age Group (Yr.)						$\chi^2 =4.49$
1.Below 25				23.21	76.79	F=1.11
2.25-35				34.92	65.08	C=0.09
3.36-45			0.47	34.74	64.79	
4.Above 45				30.95	69.05	
Educational level						$\chi^2 =4.82$
High school				25.71	74.29	F=1.94
Graduates			0.40	34.00	65.60	
Post-Graduates				37.24	62.76	
Occupation						
1.Service			0.88	29.82	69.30	$\chi^2 =5.87$
2. Professional				35.96	64.04	F=0.68
3.Business				29.09	70.91	
4.Agriculture & Allied				36.36	63.64	
All Data			**0.20**	**33.20**	**66.60**	

Source: Field Survey ,conducted during,2018

** Level of Significance at 1%

Chi-square test reveals that the difference in the opinion of customers is significant at 1 pc LOS according to bank group wise. F-test also validate the difference in the opinion of inter-bank group customers is significant at 1 pc LOS. Up to 25 years age respondents i.e. 77 pc are thinking that e-services are largely transforming the Indian banking. 65 pc graduates agree to a large extent that e-services are largely transforming the Indian banking.71 pc business class respondents also votes in favour of the statement that the e-services are largely transforming the Indian banking. All data shows that 67 pc customers have strong belief that e-services are largely transforming the Indian banking sectors. So It is clear the customers of rural ,Semi-urban are accepting that transformation of banking sector has took place due to the introduction of e-delivery channels.

Extent of awareness of e-channels

In second part of the study an attempt was made to know to level of awareness of e-delivery channels which are responsible for transformation of banking. by using Ranking method the following statement were given to the customers and they ranked all of them.

(Statement 1-6)

1) To what extent you are aware about ATM

2) To what extent you are aware about Online Banking

3) To what extent you are aware about Credit/Debit Card

4) To what extent you are aware about Tele-banking

5) To what extent you are aware about Mobile banking

6) To what extent you are aware about e-Wallets

Table 1.2 Extent of awareness of e-channels

Statements	Rank	Avg. Rank	Total Score
1	1.0	1.24	2882
2	3.0	3.28	1860
3	2.0	1.86	2570
4	6.0	5.57	716
5	5.0	4.59	1204
6	4.0	4.46	1268

Source: As per table 1.1

After examines the all statements of extent of awareness, It was found that customers have given 1st rank to the ATM and after the ATM, customers are aware about credit card and give 2nd rank to the credit card. After the credit card customers are not fully aware about any other e-channels. Customers are little bit aware about net banking and mobile banking and have given them 3rd and 5th ranks. e-wallet has got 4th rank and the last rank was given to tele-banking because tele-banking is not very popular among the customers of the study area. Hence, we may conclude that most of the customers are fully aware about ATMs and credit cards only. Other e-channels are not yet popular among bank customers of rural and semi-urban areas.

Reasons for low awareness about e-Channels in Rural and Semi-Urban areas

It was found that in study area respondents of rural and semi-urban areas are having low awareness level regarding various e-channels. Various reasons were listed and the respondents ranked them as per their knowledge.

(Statement 1-10)

1) Illiteracy
2) Poverty
3) Lack of interest of Govt.
4) Lack of leaflets & broachers
5) Global changes
6) Multiplicity of product
7) No method of marketing
8) Lack of interest
9) Ignorance
10) Lack reading material

Table 1.4 Reasons for low awareness about e-Channels

Statements		Avg. Rank	Total Score
1	2	2.18	4410
2	3	3.72	3638
3	5	4.92	3042
4	1	2.12	4442
5	4	4.74	3130

6	6	6.24	2380
7	7	6.28	2358
8	9	7.74	1632
9	10	9.61	696
10	8	7.46	1772

Source: As per table 1.1

There are various factors responsible for low level of awareness of e-channels among customers. The respondents ranked 1st that is leaflet and broacher distribution by the banks, 2nd rank was given to illiteracy ,3rd rank was given to poverty, 4th rank was for global changes taking place in the country, 5th rank was given to lack of interest of government,6th rank is for multiplicity of products ,7th rank goes for lack of marketing ,8th rank goes for lack of reading material,9th rank goes to lack of interest and last rank is for ignorance. These factors are responsible for low awareness for e-channels among customers. By working on these weaknesses awareness of e-channels can be improved.

Methods suggested by customers to make aware about e-Channels

(Statement 1-12)

1) More education
2) Awareness by seminars
3) Student can play vital role
4) Media and consumer awareness
5) Sign boards
6) Quality Control dept
7) Simplification of consumer protection Act
8) Surprise checking
9) Consumer fairs
10) Consumer clubs
11) Consumer courts
12) Local Organizations

Table 1.6 Methods suggested by customers to make aware about e-Channels

Statements	Rank	Avg. Rank	Avg. Score	Total Score
1	1	2.70	84.17	5300
2	8	7.21	44.10	2896
3	9	7.50	41.63	2748
4	7	6.58	49.33	3210
5	4	4.49	66.77	4256
6	3	7.59	40.90	2704
7	5	4.71	64.90	4144
8	12	10.97	12.73	1014
9	2	3.73	73.03	4634
10	11	9.33	26.40	1834
11	10	8.60	32.53	2202
12	6	4.88	63.47	4058

Source: As per table 1.1

Bank customers are willing to use e-channels but they do not know how to use these e-channels. They were asked to give suggestions to make customers aware about e-channels. They gave 1st rank to education. It means these channels must be the part of the education,2nd rank was given to consumer fairs,3rd rank goes to quality control depts. in banks, 4th rank is for sign boards, 5th rank is for simplification of consumer protection act, 6th rank is for local organizations ,7th rank goes to media and consumer awareness, 8th rank is for seminars,9th rank is for students role 10th rank goes for consumer courts ,11th rank goes to consumer clubs and last rank i.e. 12th goes to surprise checking. In this way each and every section of the society can play an important role in spreading knowledge about e-channels.

Conclusion

It is clear from the above analysis that bank customers of rural and semi-urban areas of Punjab state of India mostly accept that e-delivery channels has transformed the Indian banking industry. At the same time it was also found that in these areas bank customers do not have complete knowledge about e-delivery channels. Only ATM is the most widely used channels for banking transactions other e-delivery channels are not too much popular. There is a need to impart IT literacy among the bank customers through various methods mentions in the above given statements. Various hindrances like lack of branches of banks mainly in rural areas , Lack of Internet connectivity ,lack of proper information regarding e-delivery channels, safety issues and various other issues must be addressed to make the customers acclimatize with these e-channels. Only then the transformation of Indian banking Industry will be successful in real sense and will contribute in the development of the nation.

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