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A Study on Self-Service Knowledges in Banking Sector: A Customers Perspective

Dr. D. ArunKumar
Associate Professor of Management Studies,
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

Banking has undergone a radical change since the introduction of self-service technology. The banks prefer alternative delivery channels as it provides them competitive advantage by reaching out to large number of customers. Besides this delivery of services to customers through technology gives banks cost advantage. As banks introduce new ways of reaching out to the customer, it becomes imperative to know which channels are clicking with the customer. This paper presents a comparative study of banking channels i.e., Branch Banking, ATM, Mobile banking, Internet banking. Two public sector banks and as many as private sector banks are taken for the study. Customers are selected using stratified branch intercept technique. The study finds that a majority of customers prefer branch banking and ATM while Internet and mobile banking came next on priority list. Private sector bank customers prefer Internet banking. This study would help banks in formulating banking strategies based on customers banking channel preference.

Keywords: Banks, Self-Service Technology, ATM, Mobile Banking, Internet Banking.

1. INTRODUCTION

As technology becomes an integral part of banking with banks offering new ways of reaching out to the customer by adopting new technological channels. These technological channels through which a transaction can be produced without having to interact with the service employee are called Self-service technologies. (Meuter et. al. 2000) Private sector banks have been pioneers in starting these new technological channels. However, public sector banks were quick to adopt them. Self-service technologies offer banks the benefit to reach out to customers without having to invest heavily in setting up a branch. Its cuts down on labor cost and help in standardizing the services. For the customers the channels offer convenience and round the clock services. As more and more banks try and route customers to these cost effective channels, the adoption and usage pattern still need to be seen.

2. REVIEW OF LITERATURE

Tiwari B. and Herstatt (2006) suggest that mobile banking is getting acceptance amongst banks. Mobile commerce that was completely written off has now shown a massive growth in last few years, which has increased m-commerce. One of the reasons for this is the high availability of mobile phones, which is, much more than computers in some countries. It would do wonders if mobile banking takes the route of online banking. 50 banks worldwide were selected, majority from Germany and Bank of Punjab, HDFC, ICICI based on availability of m-banking in India. The

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installation of mobile banking and mobile financial services provide in Germany and other countries were looked into during the period of May/June, 2005.
Ghods et al. (2014) investigates customer adoption internet adoption behavior in Tehran. The study aims to understand the affect of technical aspect and the personal characteristics of Internet Banking. These include security from the channel, the difficulty in using the channels and the effectiveness of IB. Customer's characteristics like the customers knowledge about the channel, his social character and the level of risk he takes were analysed. The sample was drawn using stratified random sampling and 453 bank customers were selected. Risk taking ability of customer and his knowledge about the channel plays important role in adoption of internet banking. both technical and personal characteristics affect adoption process.

3. OBJECTIVES

Customer has a preference for different banking channels based on their needs. More than one channel is being used to interact with the banks. Customer may prefer doing a transaction through technological interface or after interacting with the teller. Customer forced to do transaction through a non-preferred channels and poor experience with a channel can lead to customer dissatisfaction. Banks will have to identify customer segments and understand their needs before reaching out to them. Internet banking has not yet become very popular with customers in India but even a small percentage of customers who do start using it would make a huge difference for the banks. ATM has become very popular with the customers but it is important to see if Internet banking and mobile banking would pick up in the same way or not. Banks will have to look for right mix of both branch banking and Self-service technologies to cut down on cost and increase revenues. The use of alternative channels and the value of human interactions with the teller need to be seen.

1. To study the use and preference pattern of customers for banking self-service technologies in public and private sector banks; and
2. To examine the relationship of preference for banking self-service technologies with customers' demographic profile in public and private sector banks.

4. RESEARCH METHODOLOGY

The sample of the study was based on multi-stage stratified branch intercept technique. The study covered 2 Public sector banks and 2 Private sector banksbased on their presence in terms of number of branches in the Berhampur, Bhubaneswar and Sambalpur area. The tri-city region was selected as it has compared to other cities maximum population of youth being the hub of IT sector. The banks identified included State Bank of India (SBI) and Punjab National Bank (PNB) in the Public sector banks category and HDFC Bank and ICICI Bank in the private sector bank category. As much as 300 customers from public sector banks and an equal number of customers from private sector banks were interviewed for data collection. Branch intercept method was adopted to interview the customers. In order to analyze the data, advance statistical techniques like Analysis of Variance (ANOVA), t-test and Z-test (test of proportions) were applied.

RESULTS AND DISCUSSION

The use of banking self-service technologies was studied in terms of use frequency, ranking order and preference order of different banking delivery channels.

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USE OF BANKING TECHNOLOGIES BY THE RESPONDENTS

Information contained in Table 1 showed the banking technology used by the respondents of various public and private sector banks.

BANKING TECHNOLOGY USED BY THE RESPONDENTS (MULTIPLE RESPONSE)

TECHNOLOGY	PUBLIC SECTOR		PRIVATE SECTOR		Z-VALUE
	No.	%age	No.	%age	
Branch Banking	300	100.00	300	100.00	0.00
ATM	298	99.33	298	99.33	0.00
Mobile Banking	48	16.00	62	20.67	1.48
Internet Banking	100	33.33	130	43.33	2.52*

TABLE NO 1

Among public sector respondents the branch banking was used by all the 100 percent respondents, followed by ATM banking by 99.33 percent respondents. Mobile banking was used by the lowest 16.00 percent respondents followed by 33.33 percent for internet banking.

Among private sector respondents, the branch banking was used by all the 100 percent respondents, followed by ATM banking by 99.33 percent. Mobile banking was used by the lowest 20.67 percent of respondents followed by 43.33 percent for internet banking. The analysis showed that there was no variation between the public and private sector respondents regarding the use of branch, ATM banking and mobile banking, as shown by the non-significant Z-values. However there was a significant variation between the respondents of public and private sector respondents regarding the use of internet banking as indicated by the Z-value of 2.52. The internet banking was used by a significantly higher proportion of respondents in private sector as compared to that in private sector banks.

PREFERENCE SCORE OF DIFFERENT BANKING TECHNOLOGIES BY RESPONDENTS

The preferences for different banking technologies by public and private sector respondents have been shown in Table 2. In public sector banks the first preference of respondents was ATM banking with mean preference score of 1.15, followed by branch banking with mean preference score of 2.07.

MEAN PREFERENCE SCORE OF DIFFERENT BANKING TECHNOLOGIES BY THE RESPONDENTS

TECHNOLOGY	PUBLIC SECTOR		PRIVATE SECTOR	
	MEAN	PREFERENCE	MEAN	PREFERENCE
Branch Banking	2.07	2	2.30	2
ATM	1.15	1	1.16	1
Mobile Banking	3.49	4	3.42	4
Internet Banking	3.29	3	3.11	3

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TABLE NO 2

The least preference of respondents was mobile banking, with mean preference score of 3.49, followed by internet banking with mean preference score of 3.29. In private sector banks the first reference of respondents was ATM banking with mean preference score of 1.16, followed by branch banking with mean preference score of 2.30. The least preference of respondents was mobile banking, with mean preference score of 3.42, followed by internet banking with mean preference score of 3.11.

The analysis showed that ATM banking was the first choice of both public and private sector respondents, while internet banking was indicated as the least choice.

RELATIONSHIP OF PREFERENCE FOR BANKING SELF-SERVICE TECHNOLOGIES WITH DEMOGRAPHIC VARIABLES

The relationship between preference for various banking self-service technologies and respondents' personal profile is very relevant to study the role of personal profile so that appropriate strategies can be developed for the customers.

PUBLIC SECTOR

Age: A perusal of Table 3 showed that branch banking came to be the second choice of respondents in all the age groups in public sector. The highest score of preference was of the order of 2.26 among the age group of 30-40 years, followed by 2.19 among the age group of below 30 years. The lowest score of preference was of the order of 2.08 among the age group of above 50, followed by 2.13 among age group of 40-50 years. However, the preference score came to be non-significant among all the age groups as indicated by F-ratio of 0.84

RELATIONSHIP OF PREFERENCE OF RESPONDENTS FOR VARIOUS BANKING SERVICE TECHNOLOGIES WITH AGE

AGE (YEARS)	BRANCH BANKING		ATM BANKING		MOBILE BANKING		INTERNET BANKING	
	Mean	Pref	Mean	Pref	Mean	Pref	Mean	Pref
Below 30	2.19	2	1.08	1	3.32	3	3.41	4
30-40	2.26	2	1.17	1	3.56	4	3.01	3
40-50	2.13	2	1.22	1	3.39	4	3.25	3
Above 50	2.08	2	1.14	1	3.51	4	3.27	3
F-ratio	0.84		1.49		2.44		4.04*	

TABLE NO 3

ATM banking came to be the first choice of respondents in all the age groups in public sector. The highest score of preference was of the order of 1.22 among the age group of 40-50 years, followed by 1.17 among the age group of 30-40 years. The lowest score of preference was of the order of 1.08 among the age group of below 30, followed by 1.14 among age group of above 50 years. The preference score was non-significant among all the age groups as indicated by F-ratio of 0.84.

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Mobile banking came to be the least preferred choice of respondents in all the age groups in public sector accepts in the age group of below 30, where mobile banking was the second last choice of the respondents. The highest score of preference was of the order of 3.56 among the age group of 30-40 years, followed by 3.51 among the age group of above 50 years. The lowest score of preference was of the order of 3.32 among the age group of below 30, followed by 3.39 among age group of 40-50 years. The preference score was non-significant among all the age groups as indicated by F-ratio of 2.44.

Internet banking came to be the second last choice of respondents in all the age groups in public sector, accept in the age group of below 30, where mobile banking was the least choice of the respondents. The highest score of preference was of the order of 3.41 among the age group of below 30 years, followed by 3.27 among the age group of above 50 years. The lowest score of preference was of the order of 3.01 among the age group of 30-40 years, followed by 3.25 among age group of 40-50 years. The preference score was significant among all the age groups as indicated by F-ratio of 4.04.

Gender: Table 4 showed that branch banking came to be the second choice of both male and female respondents in public sector. The higher score of preference was of the order of 2.21 among male respondents as compared to 2.15 among female respondents. There was no significant difference between the preferences of both male and female respondents as revealed by the non-significant t-value of 0.62.

5. CONCLUSIONS

Among public sector and private sector respondents branch banking was used by all the 100 percent respondents, followed by ATM banking, internet banking and mobile banking. Internet banking was used by a significantly higher proportion of respondents in private sector as compared to that in private sector banks. In public sector and private sector banks the first preference of respondents was ATM banking followed by branch banking. The least preference of respondents was mobile banking followed by internet banking. The analysis showed that ATM banking was the first choice of both public and private sector respondents, while internet banking was indicated as the least choice.

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