



A Study On Consumer's Perception Towards E-Banking Services Of Co-Operative Banks In Rural Areas With Special Reference To Kadi

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ABSTRACT

The Banking industry plays a very important role in the economy of any country. It provides credit to all the sections of the society so it's essential to the economy. India is not only the world's largest independent democracy but it is also an emerging economic giant. Banks play a dominant role to support socio-economic matters which helps in attaining development of a country. The Banking industry is a rapidly growing industry in India. It acts as a spine of the modern business. Money lending came into existence with the history of mankind. Banks evolution thrived from ancient Vedic time which is known in form of money lender, goldsmiths, and the merchants. A Bank is described as an institution engaged in lending and depositing money but it has enhanced a lot in banking services. Nowadays, the banking industry is growing at a higher pace in all the fields so they can provide the best services to their customers as well as bankers. Banking is generally a highly regulated industry and Government restrictions on financial activities by banks have varied over time and location Banking is as old as the real history and the heritage of modern commercial banking are noticeable to ancient times. The word bank is derived from Italian word Banca and French word Banque both meaning bench. Money-lenders and money changers used to transact their business at benches or tables.

Key words: E-banking, Financial Security, Financial Provision. Attitude, Internet banking, Chi-square test, Customer Behavior, Perceptions.

INTRODUCTION

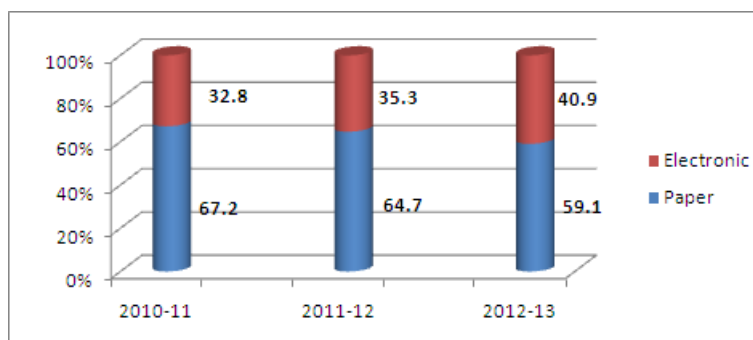
The Banking industry is a rapidly growing industry in India. It acts as a spine of the modern business. Money lending came into existence with the history of mankind. Banks evolution thrived from ancient Vedic time which is known in form of money lender, goldsmiths, and the merchants. A Bank is described as an institution engaged in lending and depositing money but it has enhanced a lot in banking services. Nowadays, the banking industry is growing at a higher pace in all the fields so they can provide the best services to their customers as well as bankers. Banking is generally a highly regulated

industry and Government restrictions on financial activities by banks have varied over time and location Banking is as old as the real history and the heritage of modern commercial banking are noticeable to ancient times. The word bank is derived from Italian word Banca and French word Banque both meaning bench. Money-lenders and money changers used to transact their business at benches or tables.

The initial banks were apparently the holy temples of the ancient world, and were apparently set up earlier during the 3rd millennium. B.C The history begins with 1st prototype banks of a merchant of the world, who made grain loans to farmers and traders. This started around 2000 BC in Assyria and Babylonia. Later on in Greece and during the Roman Empire, lenders based in temples made loans and introduced new features i.e. accepting of deposits and changing of money. Wealth including money and valuables can be stolen away easily if not stored at a safe place. In earlier time Temple is considered as the safest place for storing the money and valuables. People like priests or temple workers were both honest and religious. In the 18th century BC, In Babylon at the time of Hammurabi, there are records of loans given by priests and also keeping the money safe.

Internet banking is nothing more than traditional banking services delivered through an electronic communication backbone viz, Internet. But, in the process it has thrown open issues which have ramifications beyond what a new delivery channel would normally envisage and, hence, has compelled regulators world over to take note of this emerging channel. Some of the distinctive features of i-banking are:

1. It removes the traditional geographical barriers as it could reach out to customers of different countries / legal jurisdiction. This has raised the question of jurisdiction of law / supervisory system to which such transactions should be subjected,
2. It has added a new dimension to different kinds of risks traditionally associated with banking, heightening some of them and throwing new risk control challenges,
3. Security of banking transactions, validity of electronic contract, customers' privacy, etc., which have all along been concerns of both bankers and supervisors have assumed different dimensions given that Internet is a public domain, not subject to control by any single authority or group of users,
4. It poses a strategic risk of loss of business to those banks who do not respond in time, to this new technology, being the efficient and cost effective delivery.



Volume wise share of Paper based vs Electronic transactions

Source: RBI's Reports Cost

The world over, central bankers and regulators have been addressing themselves to meet the new Challenges thrown open by this form of banking. Several studies have pointed to the fact that the cost of delivery of banking service through Internet is several times less than the traditional delivery methods. This alone is enough reason for banks to flock to Internet and to deliver more and more of their services through Internet and as soon as possible. Not adopting this new technology in time has the risk of banks getting edged out of competition. In such a scenario, the thrust of regulatory thinking has been to ensure that while the banks remain efficient and cost effective, they must be aware of the risks involved and have proper built-in safeguards, machinery and systems to manage the emerging risks. It is not enough for banks to have systems in place, but the systems must be constantly upgraded to changing and well-tested technologies, which is a much bigger challenge. The other aspect is to provide conducive regulatory environment for orderly growth of such form of banking. Central Banks of many countries have put in place broad regulatory framework for e-banking.

Table 1.1 Electronic banking % of users in various states of India

State	% of users banking online
Maharashtra	28.7
Delhi	17.7
Tamilnadu	10.3
Andra Pradesh	4.6
Karnataka	8.3
West Bengal	4.6
Madhya Pradesh	3.1
Rajasthan	3.2
Gujarat	3.3
Kerala	1.8
Haryana	1.7

Bihar	1.6
Uttarpradesh	1
Others	4.7

Source: Report of internet & mobile association of India (IAMAI)

E-banking is an innovation when new information technologies merge into traditional banking services. Operating costs minimization and revenue maximization are the major drivers that boost e-banking services (Sannes, 2001; Reibstein, 2002). E-banking service is basically a self-service by customers, so for banks, it requires less resources and lower transaction and production costs (Southard and Siau, 2004; WitmanandPoust, 2008). A study about the e-banking over 1999–2006 shows that the application of e-banking can improve banks’ performance in terms of the growth in assets, reduction in operating expenses and portfolio enhancement (Dandapani et al., 2008). Even in 1990s, Sraeel (1996) emphasizes that creating virtual banking will not only create a new service delivery channel, but also lead to value creation to both banks and customers (Hwang et al., 2007; Murphy, 2007). Amato- McCoy (2005) further argues that customers will be attracted to e-banking when the advanced e-banking services like e-transfer and e-bill options are available. Through interviewing banks in a small island and examining their e-banking websites from 2004 to 2006, Jenkins (2007) indicates that those banks were using e-banking as an assurance to their customers to maintain a competitive quality of service. To continually improve the performance of e-banking services, several core-capacities are critical:

- Planning new IT infrastructure
- Enhancing transaction security
- Providing value-added content
- Delivering differentiated services
- Managing customer relationships

The retention and expansion of relationships with relative older and lower IT awareness customers (Wuetal, 2006).

Consumers today are much selective in choosing banking services in terms of their demands and preferences. To be competitive, banks must develop services to satisfy customers as well as delight them at the same time. Liao and Cheung (2002) indicate that the most important quality attributes underlying perceived usefulness of e-banking are expectations of accuracy, security, network speed, user-friendliness, user involvement and convenience

1. RESULTS AND DISCUSSIONS

I. Research Methodology

The Present study on Consumer’s Perception towards E-banking Services of Co-operative
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Banks in Rural Areas with Special Reference to Kadi. The Sample size is 100 respondents. Research instrument is questionnaire. The universe of this research is Kadi city.

Hypothesis Testing of Use of E-Banking and Awareness

John Boyce [2011] uses the chi-square test of independence. In this, while determining whether the number of observations or responses that fall into various categories differs from what is expected with the help of this technique, we can test whether or not two or more attributes are associated.

Table 2.1: Contingency use of E-Banking and Awareness

	Using	Not Using	Total
Aware	57	22	79
Not Aware	0	21	21
Total	57	43	100

Hypothesis

Ho = People are not aware and not using e-banking service.

Ha = People are aware and using the e-banking services.

Test Statistics

Observed- Expected

$$\chi^2 = \frac{1}{\text{all cells}} \sum \frac{(O-E)^2}{\text{Expected}}$$

$$\text{Expected} = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Where

P-Value from the χ^2 - tables with

$$\begin{aligned} \text{Degree of freedom} &= (\text{Number of rows} - 1) \times (\text{Number of Columns} - 1) \\ &= (r - 1) \times (c - 1) \end{aligned}$$

Decision Rule: Reject Ho if p-value $\leq \alpha$ as usual.

Table 2.2: Calculation of Expected Frequency

On the basis of this hypothesis, the expected frequency corresponding to the no of person aware and using e-banking service would be:

$$\text{Expected frequencies are calculated using } \text{Expected} = \frac{(\text{Column Total}) \times (\text{Row Total})}{\text{Grand Total}}$$

	Using	Not Using	Total
Aware	$(57 \times 79)/100$ =45.03	$(43 \times 79)/100=33.97$	79
Not Aware	$(57 \times 21)/100$ =11.97	$(43 \times 21)/100 =$ 9.03	21
Total	57	43	100

Table 2.3: Calculation of Chi-Square

Observe Frequency (O)	Expected Frequency (E)	(O-E)	(O-E) ²	(O-E) ² /E
57	45.03	11.97	143.28	3.18
0	11.97	-11.97	143.28	11.97
22	33.97	11.97	143.28	04.22
21	09.03	11.97	143.28	15.87
100	100	0	--	$\sum X^2$ =35.24 cal

Degrees of freedom = $(r - 1) (c - 1) = (2 - 1) (2 - 1) = 1$

The p-value = $P (X^2_{(cal)} < X^2_{tab}) = P (3.841 < 35.24)$

HO: may be rejected.

It is now necessary to compare this value with the critical values of chi-square. The critical value of chi square with 1 degree of freedom of 5% level of significance is 3.841. Since the calculated value is much greater than the critical value of chi-square, the null hypothesis people are not aware and not using e-banking service is rejected. Thus, most of the respondents are aware and using e-banking service.

II. Major Findings

The research is based on primary data collected through questionnaire. The research is useful to know the consumer Perception towards e-banking services of co-operative banks in kadi, North Gujarat and the risk involved with e-banking.

The Indian active online audience is reaching the 60 million mark, growing about 30% annually, of which 25% are found on online banking-websites. In India 4.6 million people bank online & no. is expected to grow 16 million by the current year. In 2011-12, non-cash payments comprised 91 per cent of total transactions in terms of value and 48 per cent in terms of volume. Within noncash payments, too, the share of payments through cheques has come down from 85 per cent to nine per cent in value, and 83 per cent to 52 per cent in volume between 2005-06 and 2011-12. But most of the people not aware the risk involved in e- banking

Banking institution should have to aware & inform the people about the risk.

1. Most of the banking customers are aware of e-banking system as 79 respondents out of total 100 respondents are aware about the e-banking system.
2. Most of the respondents are aware of e-banking system by the television advertisements, from their relatives and friends.
3. Among the 79 respondents only 57 respondents are using e-banking for banking transactions.
4. Among the 57 respondents only 9 respondents are using e-banking since last 2 years. While 18 respondents are using e-banking since last 1years.
5. E-banking system is very easy to use & fast it's also gives you 24-hour access to your nationwide accounts. That's the reason most of the respondents attract towards e-banking system.
6. Most of the respondents use e-payment & electronic fund transfer facility in e-banking system.
7. Among the 57 respondents only 13 respondents are know about the risk involved in e-banking system. Most of the respondents are not aware of the risk.
8. Most of the respondent opt e-banking facility of various banks.

III. Limitations

The response to the questionnaire may be the personal view of the consumers and hence do not always reflect the e-banking practices used throughout the country. The present study conducted in Kadi (Gujarat) and it may not reflect to other cities.

IV. Conclusion and Suggestions

The research report is useful to know the consumers perception towards the e-banking services of co-operative banks in rural area and what types of risk involved in e-banking system. The research report is based on primary data collected. The chi-square statistical test has been used to determine the association between customer and awareness and use of e- banking. In this test, the calculated value is much greater than the critical values of chi-square, the null hypothesis people are not aware and not using e-banking services is rejected. Thus, most of the respondents are aware and using e-banking services.

The following are Suggestions of this research:

1. Most of the respondent knows about the e-banking system. But they don't use it. because they don't know about the procedure how to use it, so banking institutions should have to aware the customer about the procedure of utilizing the e-banking system.
2. Most of the banks reluctant to give the information about the use of e-banking. Banking institution should have to aware the customers.
3. Some of the services of e-banking are very complicated, banking institution should

have to develop user friendly portals for the convenience of the customers.

4. Banking institution should have to aware the customer about the risks involved with e-banking.
5. Customers should have to know about the security risks involved with e-banking and follow the guidelines prescribed by the banks for security.
6. E-banking in India is in budding stage with the high penetration of electronic as a growth driver. Internet banking as tool can be used by the banks towards furthering twin objectives. On one hand banks can optimize its branch operations by doing away with large volumes of routine transactions at individual branches, while on the other hand they can expand their geographical presence by reaching the interior parts of the country either to cut-off from the ambit of banking services. Another important benefit of the concept of internet banking is that it is good for the environment as it cuts down the usage of paper, reduces pollution as people do not have to travel physically and also does not add emissions. It is beneficial for both banks as well as customers. India has a long way to reach the level of e-banking; however it is an easier path to tread now as the security standard and the transaction protocols have been developed and tested. This research paper also gives opportunities to conduct the further development in e-banking and helps to the banking profession.

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