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ADOPTION PATTERN OF ALTERNATIVE BANKING CHANNELS BY CUSTOMERS

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Abstract

Traditionally, banking in India has been about branches. Till a decade back, it was hard to imagine that banking could be done from outside a bank branch. In the last decade, the Indian banking system has evolved to provide several types of remote banking channels. The objective of all types of remote banking is to provide extra convenience to customer and save service cost to the bank. The self – service culture is fast catching in the banking space. The late 1980s saw the emergence of an ATM. Culture in India, which saw the migration of 75 – 90% of banking transactions away from bank branches. Over the past decade, customers have overcome their awe of entering a closed – door, air – conditioned ATM outlet to perform personal banking transactions such as cash withdrawal, balance enquiry. The present research is an exploratory investigation into multi – channel banking pattern amongst the Indian customers. Specifically, this study aims to contribute to the industry and literature alike, by identifying the usage pattern of customers with respects to the different banking channels in India. Thus, the aim of the research is to provide an analysis of the usage pattern of Indian customers related to channels of banking.

Keywords: *Banking Channels, Banking in India, Recent Trends.*

Introduction

The banking system in India has undergone significant changes in the last decade or so. The Indian financial sector has been rapid development in various aspects related to size, industry, composition, and the variety of consumer products and services being offered, banks all over the world are implementing multiple – channels strategies. The right combination of banking channels is dependent not only on the characteristics of different channels, but also on the preferences and perceptions of the consumers regarding the alternatives. The challenge for bank executives

is to find the right mix of distribution channels so that they can remain profitable with in various market segments. For better utilization of the potential of these alternative channels of banking, banks need to aware of the current usage, pattern of customers with respect to the various channels of banking.

Statement of the Problem

In India, there is a great opportunity available for banks to increased the usage of these alternative channels of banking (Nager and masin, 2013). This requires an in-depth understanding of consumer behaviour and usage related to various banking channels. The

comprehension also significant further progress of India's Financial Service Industry and can be exploited at the bank level for potentially gaining a competitive advantage within the banking industry. The present research is an exploratory investigation into multi – channel banking pattern amongst the Indian customers. Specifically, this study aims to contribute to the industry and literature alike, by identifying the usage pattern of customers with respects to the different banking channels in India. Thus, the aim of the research is to provide an analysis of the usage pattern of Indian customers related to channels of banking.

Objectives of the Study

To know the personal profile of the respondents.

To identify the factors considered important by customers in choosing their preferred channel of banking.

To understand the preference pattern related to the services availed across the different channels of banking.

To study on relationship between demographic profile of the sample respondents and their level of satisfaction towards Alternative banking channels.

To study the problem faced by the respondents while using internet banking.

To suggest measures that help in improving the adoption of alternative banking channels.

Scope of the Study

The study is concerned with “Adoption Pattern of Alternative Banking Channels By Customer”. For this purpose, the data were collected from 120 respondents. The respondents are private employees, government employees, students and house wife's those who are using alternative channels, in Tiruchendur area.

Review of Literature

Milined .S., (1999) In their study entitled “Adoption Internet Banking by Australian consumers: An Empirical Investigation” shows that security concerns and lack of awareness about internet banking and its benefits stand out as being the obstacle to the adoption of internet banking in Australia. Suggested some of the ways to address to these impediments further suggests that delivery of financial services over the internet should be a part of overall customer service and distribution strategy.

Chou D.C., Chou .A.Y (2000) In their study entitled “A Guide to the Internet Revolution in Banking”, shown that banking is an industry that is expected to undergo drastic change because of the E – commerce revolution. This article maps out the direction of the internet revolution in banking by surveying the phenomenon's history, its technological development, and associated managerial and technological issues.

Aladwani A.M. (2001) in this study entitled “Online banking: A filed study of the development challenges, and expectations”, the results of a quantitative study of the perceptions of potential customers with regards to the drivers, development challenges, and expectations of online banking. The findings will be useful for both researchers and practitioners who seek to understand the issues relevant to online banking.

Methodology

This section describes the methodology which includes the collection of data, construction of questionnaire and pre – test, the sampling design and the scheme of analysis.

Collection of Data

The researcher has collected data from both primary and secondary sources. The primary data were collected from the respondents with the help of Questionnaire. The secondary data were collected from books, journals and websites.

Construction of Questionnaire

The researcher herself has structured the interview schedule for this study. The variables thus identified by the researcher have been converted into appropriate questions. The Questionnaire was suitably revised in the light of the experience gained.

Sampling Design

The sample was selected from Tiruchendur area. The size of the sample was 120. They were selected at random by applying convenience sampling method.

Field Work and Data Collection

The researcher herself carried out the field work for this study. It was conducted during the period from December 2018 and February 2019. The researcher have used questionnaire for collecting the data. The data was collected on Sundays and holidays.

Tools for Analysis

The present study is an empirical one. The tools for analysis the data include

conventional techniques such as simple percentage analysis, total score analysis and likert scale method. Tables and percentages are used in the appropriate places to analyse of data.

Likert scale is used to measure the adoption pattern of Alternative Banking Channels. The likert scale is one of the most widely used attitude scaling techniques.

In this approach the respondents are asked to indicate his degrees of agreement with each of their statement about adoption of Alternative Banking Channels which are related to objectives of the questions

Limitations of the Study

As the study was conducted for a short duration of 3 months, it was difficult to study in depth about various aspects.

1. Time, cost and other resources were constrains for a fully comprehensive study.
2. Demographic profile factors may influence the attitude of the different set of customers

and the finding cannot be generalized for the respondents with personal profiles.

3. The number of respondents is relatively small.

Application of Garrett Ranking Technique

The respondents were asked to assign the rank for various factors. The rank given by respondents were converted into percent position using the formula.

$$\text{Percent position} = \frac{100(R_{ij} - 0.5)}{N_j}$$

Where,

R_{ij} – Rank given for the i^{th} variable by the j^{th} respondents.

N_j – Number of variable ranked by the j^{th} respondents.

By referring Garrett ranking table, the percent position estimated was converted into scores. The scores of various respondents were added and the mean score ranked score was calculated. The factors were ranked on corresponding mean score.

Service Provided by Alternative Channels

| S.No | Services | Rank | | | | | | Mean | Rank |
|------|------------------------|------|----|-----|----|----|----|-------|------|
| | | I | II | III | IV | V | VI | | |
| 1 | Personalized service | 14 | 10 | 52 | 12 | 20 | 12 | 48.71 | III |
| 2 | Wide branch networking | 28 | 24 | 32 | 14 | 10 | 12 | 40.28 | VI |
| 3 | Customer service | 44 | 20 | 6 | 12 | 28 | 10 | 41.20 | V |
| 4 | Core banking | 16 | 34 | 12 | 26 | 12 | 20 | 48.35 | IV |
| 5 | Computerized banking | 6 | 24 | 16 | 16 | 36 | 22 | 58.1 | II |
| 6 | Problem solving | 12 | 8 | 2 | 40 | 14 | 44 | 58.98 | I |

It can clear from Table that the services provided by alternative banking channels are ranked by the respondents. The first rank was given to “Problem solving” followed by “Computerized banking”, “Personalized

service”, “Core banking”, “Customer service” and “Wide branch networking” are ranked to second, third, fourth, fifth and sixth positions respectively.

Usage of Alternative Channel of Banking Services

| S.No | Channels | Always | Often | Sometimes | Rarely | Never | % | Rank |
|------|------------------|----------|----------|-----------|---------|---------|-----|------|
| 1. | ATM | (60) 300 | (22) 96 | 32 (96) | (4) 8 | (2) 2 | 33% | I |
| 2. | Credit card | (8) 40 | (28) 112 | (34) 102 | (20) 40 | (30) 30 | 22% | VI |
| 3. | Debit card | (38) 190 | (22) 88 | (26) 78 | (22) 44 | (12) 12 | 29% | III |
| 4. | Phone banking | (28) 140 | (40) 60 | (18) 54 | (18) 36 | (16) 16 | 27% | V |
| 5. | Internet banking | (42) 210 | (16) 64 | (30) 90 | (14) 28 | (18) 18 | 28% | IV |
| 6. | Mobile banking | (50) 250 | (22) 88 | (32) 96 | (8) 16 | (8) 8 | 30% | II |

The above table cleared that, majority (33 percent) of the respondents are used 'ATM services', so it got first rank. The second, third, fourth, fifth and sixth rank were given to 'Mobile banking', 'Debit Card', 'Internet Banking', 'Phone Banking', 'Credit Card' respectively.

Out of 66 respondents with medium level of satisfaction, 26 respondents are male and the remaining 40 respondents are female. Out of 18 respondents with low level of satisfaction, 10 respondents are male and the remaining 8 respondents are female.

Chi – square test is applied to find out the relationship between gender of the respondents and their level of satisfaction towards alternative banking channels. The null hypothesis framed for this purpose is "There is no significant relationship between gender of the respondents and their level of satisfaction towards alternative banking channels". The result of the test is given below.

| | |
|-----------------------|-------------------|
| Calculated value | : 1.59 |
| Table value | : 5.99 |
| Level of significance | : 5% |
| Degrees of freedom | : 2 |
| Result | : Not significant |

The calculated value is less than the table value at 5% level of significance. Hence, the null hypothesis is accepted and concluded that, there is no significant relationship between gender of the respondents and their satisfaction towards alternative banking channels.

Findings

By the Application of Garrett Ranking technique, it was found that most important services of Alternative Banking Channel is 'Problem Solving'. Majority of the respondents used the services of 'ATM'. Accessibility emerges to be the most important factor in deciding customer's choice of selecting channel. With regard to preference pattern related to alternative banking channel service most acceptable and preferred usage of ATM is 'Cash withdrawal', Net banking is 'Cash Transfer', Mobile banking is viewing and enquiring about balance, Personal banking is 'update of passbook'. The Results of chi – square test proved that there is no significant relationship between gender, age, educational qualification, nature of job, marital status, nature of family and their level of satisfaction towards Alternative Banking Channels.

Conclusion

Alternative channels of banking are a fruitful way for banks to reach out more customers, increase their customer base, increase customer satisfaction level and there by attain competitive advantage. In order to further increase the awareness of penetration level of these alternative channels of Banking, banks should come out with advertisements promoting the varied service provided by these channels and at the same time emphasize the value obtained by the customers when using these channels. Overall, to increase the customer's perception of the utility of the different channels of banking, some of the factors which banks can focus on include: Less complexity in operations, highlighting of security techniques, free of charge demo of Alternative banking channels without using customer's real account, and understanding and matching the requirement of customers.

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