

An Analysis Of E-Banking Services Offered By Public Sector Banks In India

Sachin A. Kadam¹ & Bharati V. Yelikar²

Abstract: A bank is a financial institution that accepts deposits and channels those deposits into lending activities. The customer-centric environment has encouraged banks to enlarge their service offerings to meet customer demands. With the increase in competition, the banks are focusing more on customer satisfaction through quality services. The propagation of Information and Communication Technology (ICT) is helping the Indian banking sector in this regard. The offering of banking services through the Internet and mobile devices enable a customer to perform a range of banking functionalities conveniently. To meet this challenge the actual e-banking services offered by a bank needs to support expected functionalities involved in this domain. The present paper critically studies the e-banking scenario involving public sector banks in India.

Keywords: Public Sector Banks, E-banking, Internet Banking, Mobile Banking

1. INTRODUCTION

A bank is a financial institution that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. It connects customers that have capital deficits to customers with capital surpluses^[1]. It is a corporation empowered to deal with cash, domestic and foreign, and to receive the deposits of money and to loan it to third parties^[2].

1. Institute of Management and Entrepreneurship
Development Bharati Vidyapeeth Deemed University,
Pune
sachin.a.kadam@bharativedyapeeth.edu

2. Institute of Management and Entrepreneurship
Development Bharati Vidyapeeth Deemed University,
Pune
bharati_yelikar@bharativedyapeeth.edu

The Indian banking domain has gone through three distinct stages involving; establishment of first bank in 1786, nationalization of 14 private banks in 1969 and liberalization of the same in 1991. The traditional service environment of the Indian banking domain during this era is represented through following cases;

- wait for an hour before withdrawing cash from accounts
- a cheque from north India being cleared in one month in south India
- compulsory to operate an account from same location and same area
- necessary to be physically present in the bank for any type of operation
- an account holders had to bear more cost for any outstation activity

Also there used to be many cases of misplacement of cheques and drafts which were under clearances, since it was a physical movement.

This environment started to change through the phase involving customer oriented market. This phase empowered the customers with more choice to choose a bank. As the banks started to offer convenience followed by more services to their customers, a competition established within the banks operating in India. The competition, joined by the advancement in Information and Communication Technology (ICT), steered the Indian banks towards more easy and convenient services. Introduction and acceptance of the Internet by banking sector removed the constraint of time, distance and communication. This resulted into performance improvement involving competitive cost and customer service^[4].

The banking sector is mostly customer driven and its survival in competitive environment largely depends on quality of the service provided. This makes quality of service furnished by the banking sector the most influencing factor. Thus connecting profitability of a bank with quality of service it provides^[4]. This has motivated Indian banks to embrace ICT in traditional banking services. The services offered through ICT are termed as e-services.

Theses e-services are now becoming increasingly important not only in determining the success or failure of certain banking functions but also providing

customers with a superior experience with respect to the interactive flow of information. Delivering financial services over public networks such as Internet is bringing about a fundamental shift in the financial services. The recent trends reveal the increasing popularity of e-services offered by banks through the Internet. This new scenario is termed as e-banking. The transformation from traditional to e-banking represents a leap change in Indian banking domain ^[5].

2. E-BANKING

E-banking implies provision of banking products and services through electronic delivery channels. It is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. It includes the systems that enable customers, individuals or businesses, to access accounts, transact business, or obtain information on products and services through a public or private network, including the Internet ^[7]. The e-banking basically focuses on two aspects;

- retention of existing customers
- acquire new customers

It is postulated that the introduction of e-banking services may change crucially the way banks build and maintain their customer relationships. The increased use of the Internet in the future will heighten the expectations and perceptions of customers, thus making e-service quality an increasingly important issue. The e-banking can be categorized according to its access channel as follows;

- Internet banking
- Mobile banking

A. Internet Banking

The Internet banking uses Internet as the delivery channel by which to conduct banking activity; e.g. transferring funds, paying bills, viewing, checking and saving account balances and purchasing financial instruments and certificates of deposits. Here a customer uses a personal computer and a browser to get connected to the bank's website. The customer accesses his/her account from an web browser software that provides access to world wide web resources hosted by the bank ^[8]. Using it the customer performs allowed e-banking functions. In this scenario the bank hosts a centralized database server with a web-enabled front-end. The e-banking website of the bank displays (in menu form) all the services that the bank has permitted on the internet. A customer can select a service and further interaction is dictated by the nature of service. Internet banking is also known as virtual, cyber, net, interactive or web banking. The banks are incrementally enhancing the e-banking

services provided by them; ranging from basic information such as "viewing" to that of "transactional capabilities" ^[9].

The Internet banking follows a simplistic approach for general non-critical information (viewing). The general purpose information like interest rates, branch locations, bank products and their features, loan and deposit calculations are provided in the banks website. There exist facilities for downloading various types of application forms. The communication is normally done through e-mail involving no interaction between the customer and bank's e-banking system. In this scenario, the customer identification is not done as there is no possibility of any unauthorized person getting into e-banking systems.

A more sophisticated approach is required by transactional capabilities. The functionalities under this category are tabulated in Table I.

TABLE I
TRANSACTIONAL FUNCTIONALITIES PROVIDED BY INTERNET BANKING

Sr. No.	Functionality
F1	Transfer of Funds
F2	Viewing bank statement
F3	Online payments

F1: Transfer of funds

It enables the customer to transfer amount from one account to another of the same or other bank. The customer can send money to anywhere in India. Once a customer logs into respective account, he/she needs to mention the payees' account number, his bank and the branch. The system guarantees for the transfer to take place in a day. The traditional method takes about three working days for the same process.

F2: Viewing bank Statement

Through this functionality a customer can view his/her bank statement for any period of time.

F3: Bill payment service

The banks do have tie-ups with various utility companies, service providers and insurance companies across the country. This facilitates payment of electricity bills, telephone bills, credit card and insurance premium bills. A simple one-time registration for each biller is required to pay these bills. A customer can also set up standing instructions to pay recurring bills automatically. Generally the bank do not charge customers for online bill payment.

B. Mobile Banking

The mobile banking refers to a set of functionalities that enables customers to use their mobile phones to perform “viewing” and “transactional” e-banking functionalities. It represents the most sophisticated state in e-banking domain allowing virtually all banking activities from a mobile device. The functionalities involved in mobile banking are tabulated in Table II.

TABLE II
FUNCTIONALIES PROVIDED BY MOBILE BANKING

Sr. No.	Functionality
F4	Balance enquiry
F5	Statement enquiry
F6	Cheque-book request
F7	Bill payment
F8	Fund Transfer

3. PUBLIC SECTOR BANKS

At present the banks in India are segregated in different groups as follows:

- Public sector banks
- Private sector banks
- Cooperative banks
- Regional rural banks

Each group has its own operational benefits and limitations along with their own dedicated target markets. Demographically few of them only work in urban or rural sector while others in both rural as well as urban^[3].

Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. Table III lists the PSBs in India^[3].

TABLE III
PUBLIC SECTOR BANKS IN INDIA

Sr. No.	Name of the Bank
B1	Allahabad Bank
B2	Andhra Bank
B3	Bank of Baroda
B4	Bank of India
B5	Bank of Maharashtra
B6	Canara Bank
B7	Central Bank of India
B8	Corporation Bank
B9	Dena Bank
B10	IDBI Bank
B11	Indian Bank
B12	Indian Overseas Bank

B13	Oriental Bank of Commerce
B14	Punjab and Sind Bank
B15	Punjab National Bank
B16	Syndicate Bank
B17	Union Bank of India
B18	State Bank of India
B19	United Bank of India
B20	Vijaya Bank
B21	UCO bank

Following is a list of subsidiary PSBs of State Bank of India (B18):

- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Indore
- State Bank of Mysore
- State Bank of Saurashtra
- State Bank of Travancore
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4. E-BANKING SERVICES PROVIDED BY PUBLIC SECTOR BANKS

A survey of web sites corresponding to the public sector banks in India was conducted. 18 public sector banks were considered for this survey. These web sites were studied critically with respect to e-banking services provided by the banks. The cumulative findings of this survey are tabulated in Table IV and Table V.

TABLE IV
CUMMULATIVE INTERNET BANKING SERVICES PROVIDED BY PUBLIC SECTOR BANKS

Services	Description
S1	Account balance enquiry
S2	Cheque status enquiry
S3	Customer service mails
S4	Download and print of account statement
S5	Fund transfer between own offices
S6	Fund transfer to third party account
S7	RTGS/NEFT transfers
S8	Stop payment advices
S9	Utility bill payments
S10	Tax payment
S11	Demat services

TABLE V

CUMMULATIVE MOBILE BANKING SERVICES PROVIDED BY PUBLIC SECTOR BANKS

Services	Description
S12	Balance enquiry
S13	Fund transfer
S14	Interbank mobile payment services
S15	Account transactions
S16	Cheque book request
S17	Change mobile banking PIN
S18	Cheque status enquiry
S19	Stop payment advices
S20	Fixed deposit enquiry
S21	Demat service
S22	Utility bill payments

5. ANALYSIS OF THE DATA

A. Analysis of e-Banking Services with respect to Expected Functionalities

The data about the e-banking domain in India revealed functionalities expected from this domain. It was then tabulated categorically for Internet Banking (Table I) and Mobile Banking (Table II). A survey and further study of e-banking services offered by Public Sector Banks in India revealed the reality about actual e-banking services provided by these PSBs. The findings were categorically tabulated for Internet Banking (Table III) and Mobile banking (IV).

This collected data was further analyzed to establish mapping between expected e-banking functionalities and actual e-banking services provided by public sector banks in India. Table VI represents services provided through Internet Banking which support the expected functionalities.

TABLE VI
SERVICES SUPPORTING FUNCTIONALITIES - INTERNET BANKING

Functionality	Supporting Services
F1	S2, S5, S6, S7, S8, S11
F2	S1, S3, S4
F3	S9, S10

Table VII represents services provided through Mobile Banking which support the expected functionalities.

TABLE VII
SERVICES SUPPORTING FUNCTIONALITIES - MOBILE BANKING

Functionality	Supporting Services
F4	S12
F5	S15, S21
F6	S16
F7	S14, S22
F8	S13, S18, S19

B. Analysis of e-Banking Services offered by Public Sector Banks in India

The further analysis exposes the cumulative e-banking services (Table IV and Table V) supported by the 18 public sector banks contributing towards the survey. The findings are tabulated in Table VIII.

e-Banking Services	Public Sector Banks																		Total
	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13	B14	B15	B16	B17	B18	
S1																			18
S2																			18
S3																			18
S4																			15
S5																			17
S6																			15
S7																			12
S8																			11
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S15																			18
S16																			10
S17																			11
S18																			12
S19																			14
S20																			11
S21																			12
S22																			15

A descriptive analysis of the above table reveals that most of the e-banking services are provided by almost all the banks. A frequency histogram of e-banking services supported by public sector banks is plotted in Fig. 1.

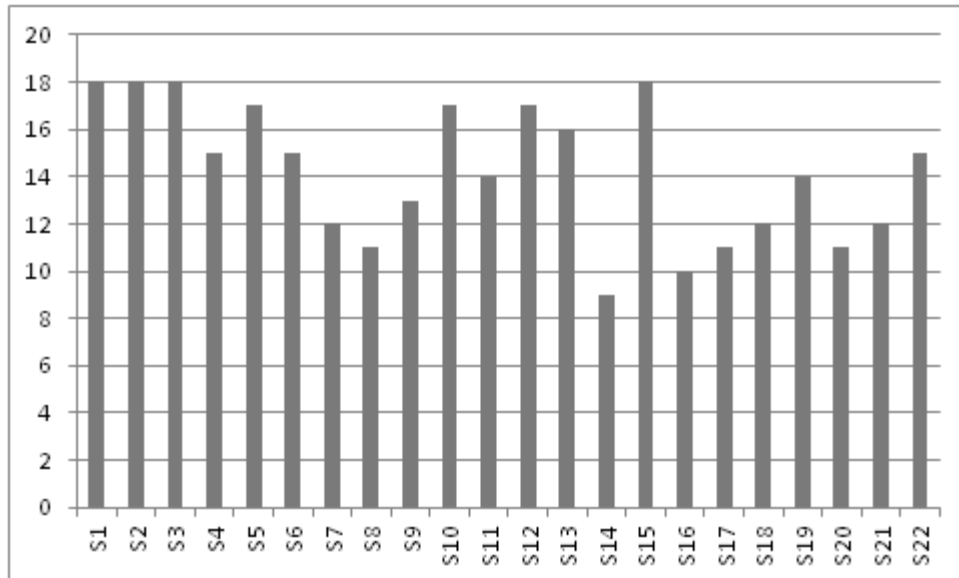


Fig. 1 Frequency of Services offered by Public Sector Banks

In Fig. 1 the X-axis represents the e-banking services, whereas the Y-axis represents number of PSBs providing respective service.

6. CONCLUSION

The subjective analysis, comparative study of different functionalities involved in e-banking domain and respective support available from existing e-banking services offered by public sector banks in India have revealed the following observations

- Almost all the public sector banks offer traditional banking services (e.g. fund transfer, balance enquiry etc.) through e-banking.
- All the public sector banks offer almost similar extent of e-banking services.
- India is a growing economy with many multinational units in operation. But it is observed that the e-banking services provided by public sector banks do not support multinational location activities.

This concludes that there exists a scope for public sector banks to distinguish themselves through their e-banking offerings. International offering of e-banking services also provides another opportunity for them to enhance their existing services.

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