

Adoption of Internet Banking in Kashmir Valley

(Benefits of E-Banking and Customer Satisfaction for E-Banking)

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Abstract

The emergence of advanced global information infrastructure (including information technology and computer networks such as the Internet and telecommunications systems) enables the development of electronic commerce at a global level. The connectivity of world through internet which makes the world as global village has basically changed the customers' expectations towards the accuracy, speed, and in turn, availability, ease, pricing service, and speed of service have created a competitive advantage for all organizations, including public banks as well as private banks. These developments have made a new type of economy, which we can call the digital economy. The fast emerging digital economy is bringing with it rapidly changing technologies, increasing knowledge intensity in all over the business world, and creating virtual supply chains and new forms of businesses and service delivery channels such as e-commerce which includes e-banking. Now a day's most of the banking happens while you are sipping coffee or taking an important call. ATM services are available at your doorsteps. Banking services are accessible round the clock. There are more plastic cards in your wallet than currency notes and some people are now using mobile phones to transfer the money. A huge part of this change is due to advent of IT.

Customer satisfaction is the key to market Internet Banking (IB) services. This paper focus on various aspects regarding Awareness of IT, benefits of e-banking, services provided by banks and customer attraction and satisfaction for e-banking.

Keywords: e-banking, customer satisfaction, IT knowledge.

1. Introduction

When computers and communications technologies are combined the result is Information Technology (IT). Information Technology has become a necessary tool in all the sectors of the society which is known as e-commerce. The main part of the e-commerce is e-banking. Nowadays Banks operate in a highly globalized, liberalized, privatized and a competitive environment and are the backbone of economy of any country. In order to survive in this environment banks have to use IT tools. Information Technology (IT) has introduced new business paradigm. Information Technology is playing a vital role in improving the services provided by the banking industry. Indian banking industry has witnessed a tremendous developments due to day by day changes that are taking place in the information

technology. In Kashmir valley the interest of customers towards e-banking is also emerging at a rapid rate. But banks are facing the dual challenge of increasing penetration and high growth trajectory and also the customer satisfaction in terms of security and other things which are running in the minds of customers. Invention of information technology brought remarkable changes in the banking industry and the world has become global village. Branch banking in the brick and mortar mode has been transformed into click and order channel mode.

Internet Banking is extremely beneficial to customers because of the savings in costs, time and space, delivery of improved services and quick response to complaints. However, the banks face the biggest challenge regarding the internet banking is the customer satisfaction on the security it provided (Booz & Hamilton, 1997; Black et al., 2002). Deshpande (2002) has identified that reputational risk, security risk, operational risk, cross border risk and legal risk as major risks that the regulators and supervisors should pay their attention. Furthermore, customers still have a difficult time using Internet Banking. In many ways, Internet Banking is like traditional banking. The only percept of internet banking is that it utilizes a different delivery channel. So, any decision to adopt IB is normally influenced by a number of factors (Balanchandher, et al., 2000). They further said that the emergence of new forms of technology has created highly competitive market conditions for bank providers and the changed market conditions demand for banks to better understand the consumers needs.

E-Banking and its Evolution

E-banking or internet banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. As the name suggests it involves the electronic technology. The means of technology used in E-banking are electronic channels which involve telephone, mobile phones and internet, which are used for delivery of banking products and services. The scope and concept of e-banking is still in the transitional stage. E-banking has broken the barriers of branch banking.

E-banking came into existence in 1920 in UK and USA. It became popular during 1960s through electronic funds transfers and credit cards. This concept of banking

(internet based banking) came into existence in Europe and USA in the beginning of 1980s.

E-Banking in India

In India e-banking is of fairly recent origin. The traditional system of banking was branch banking. In early 1990s there has been start of non-branch banking services in India. The old traditional systems on which Indian Banking depended upon for centuries seem to have no place today. The credit goes to ICICI Bank, Citibank and HDFC Bank for launching internet banking system in India in 1990. Several steps have been taken by the Government of India as well as the Reserve Bank of India to facilitate the development of e-banking in India. The IT Act has been passed by Government of India in 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is responsible for monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

The payment and settlement system act, 2007 empowers the Reserve Bank of India to authorize and regulate entities operating payment systems in the Country and the vision document for payment and settlement systems of the RBI has over a period of time and placed importance on the move towards electronic payments and there by a "Less Cash Society". Feeling the potential of mobile as a channel for offering financial services in the country, the Reserve Bank of India issued the first set of guidelines on mobile banking in October 2008. The model led by Reserve Bank of India was considered suitable for the country with a mandate to banks such that all transitions should originate from one bank account and terminate in another bank account. The guidelines issued by Reserve Bank of India in Oct. 2008, permitted banks to provide the facility of fund transfer from one bank account to another bank account, both for personal remittances and purchase of goods and services. All Banks were directed on the supervisory issues, to ensure technology standards, registration of customers for mobile banking, interoperability, interbank clearing and settlement arrangements for customer grievance, fund transfers and transaction limits in an attempt to ensure safe, secure transfer of funds. The "IT Vision Document 2011-2017" has been prepared under the chairmanship of Dr. K.C. Chkrabarty and the members from IIM, IDRBT, Banks and Reserve Bank of India for Banks and Reserve Bank of India which provides an indicative road map for enhanced usage of IT in the Banking Sector.

Indian Commercial banks have changed their strategies by taking several initiatives to cope up with the pressure of growing competition, one of them is e-banking. The newly established private and Foreign Sector Banks were providing the facilities of e-banking from the beginning while as there was a tough competition among public

sector Banks. Indian banks provide number of products and services to their customers some of them are as under:

- Automated Teller Machines (ATM's)
- Internet Banking
- Mobile Banking
- Phone Banking
- Tele banking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards.
- Door Step Banking
- Electronic Fund Transfer
- Credit card
- Debit card
- Corporate cash Management
- SWIFT Banking
- Very small Aperture Terminals
- Home Banking

E-Banking in Kashmir Valley

In Kashmir Valley E-banking has been started in 1999 and all the credit goes to the Jammu and Kashmir Bank. Jammu & Kashmir bank is one of the largest banks in India. The bank has its branches in every major city of India and outside India. To compete with the other parts of the country Jammu and Kashmir Bank takes a step to start E-banking in 1999 by signing the agreement with IBA to connect its ATMs through a shared network. In 2000 Jammu and Kashmir Bank has tied up with Infosys Technologies to offer internet banking and for its e-commerce initiatives. Jammu and Kashmir Bank has tied up with American Express to launch a co-branded credit card. In year 2001 Jammu and Kashmir Bank has launched J&K Bank - AMEX Co. Branded Credit Card pursuant to agreement entered with American Express Bank. The J&K Bank American Express Credit card offers high value features which includes balance transfer facility, global validity, membership rewards and emergency cash. In 2003 J & K bank has decided to launch Global Access Card (an International Debit Card) in association with Master Card International. In 2004 Jammu and Kashmir Bank ties up with ICICI Bank to share the ATM network. The J & K Bank provides net banking facility to both corporate and retail customers. But there is only one requirement to customers to avail all the e-banking services and facilities that is computer or equivalent device connected to the World Wide Web.

Benefits of E-Banking

The World Wide Web has permeated virtually every aspect of modern life. If you have a computer with an Internet connection, an almost unlimited amount of goods, services and entertainment choices are at your finger tips. You can just do about anything online, including your banking and financial transactions. The main advantages of E-banking are:

- The cost for operating per unit services is lower for the banks.
- It offers comfort to customers as they are not required to go to the bank's premises.
- The risk of errors is very low.
- The customer can withdraw funds at any time from ATM machines.
- The plastic money i.e credit cards and debit cards enables the Customers to obtain discounts from retail outlets.
- Mobile phones can be used for transfer of funds and details regarding the accounts.
- No geographical barrier for transaction.
- It's generally secure. But make sure that the website you are accessing has a valid security certificate.
- Conducting business online is obviously faster than going to the bank. Long teller queues can be time-consuming, especially on a Pay Day. But online you can access your account instantly and at your leisure.
- There are so many online services which are provided by banks to the customers such as loans, tax payment etc.

Online banking is not only the wave of the future it's also the wave right now and the clock isn't likely to move backward. If you will take some reasonable steps to safeguard your personal and financial information it is assured that you'll likely find that online banking is a convenient tool that you can easily live with.

Online banking has become an accepted norm of monetary transactions for millions in India over the past decade. Customer can check his account, make payments online and transfer money between accounts in an easy way which has made this mode of banking hugely popular among Indians who are perpetually short of time to visit the bank physically. Online banking also provides a host of non transactional features which are quite handy to the customer. However along with the world of conveniences this method of banking has a few inherent drawbacks which need to be understood in order to protect your money and avoid complications subsequently.

Awareness of IT

World development due to technology growth, information technology (IT), internet, electronic government, and electronic business which has derived from IT, all have made a huge interchange in communications and data transmission process. Information technology is the basic need of internet banking. People should be aware from the IT so that they can access all the facilities provided by the banks through Internet banking. People in Kashmir valley are not fully aware about the internet banking and are not aware of the

information technology. Kashmir valley is still backward in information technology. It is far behind from the world in this sector. There are several reasons to these differences. Some are due to delay in preparation of basic structures. Basic structure recognition and determination the present challenges in creation and development of electronic banking, all will be an appropriate guide for banks to success. There is a requirement of providing knowledge regarding IT and an awareness drive regarding E-Banking in Kashmir. This will make a huge difference and economic conditions will improve a lot.

Internet Banking Services

E- Banking service has been defined as a web-based service or an interactive service that is delivered on the internet conceptualizes e-service as deeds, efforts, or performances whose delivery is mediated by information technology. Generally, it can be defined as an interactive content-centered and internet based customer service that is driven by customers and integrated with the support of technologies and systems offered by service providers, which aim at strengthening the customer-provider relationship. Given the technology quality dimensions of e-service quality that are different from the traditional service context, e-service quality has been regarded as having the potential to not only delivers strategic benefits but also to enhance operational efficiency and profitability.

E-banking provides a number of services at the doorsteps of customers which is otherwise not possible. These services are provided through bank websites. E-banking services are offered to the customers in the form of internet banking services, phone banking, mobile banking and ATM services. Internet banking services are provided to a large extent by all the banks. The most common services among internet banking are balance inquiry and transaction history. All the banks are offering these two services. Apart from these, ATM services are also offered by all the banks. These include 24 hours access to cash, transfer fund between accounts, view account balances & mini statement and pin change option.

Among other services, most of the banks offer simple transaction of e- banking which includes online transfer of funds, change password, customer correspondence, request of cheque book, bill payment, and monthly bank account statement by e-mail. However, the services like online tax payments, demonstration of I banking, stop payment request and corporate internet banking should also be provided by all the internet banks are having less adoption in all the banks

Other internet banking services which are less offered include open fixed deposit and recurring deposit, ticket booking, demat holdings, loan details, interest rate updates, share trading, request of debit cards, renewal / premature closure of FD, mobile top-up, buy and sell mutual fund, card to card fund transfer, online loans, send money order anytime, reissue and upgrade of ATM/ debit card, link bank account to ATM/ debit card, convert

to EMI. All the banks are at different stages of offering e-banking services so the extent of services is also different. In order to acquire the new customers as well as to retain the existing one, banks are very much cautious about E-banking services. Banks should develop such kind of services through which customer can transact from anywhere, anytime. In some of the services like balance enquiry, transaction history, transfer of funds online, ATM services; all the banks are offering excellent services to the customers. Banks are also offering these services according to their suitability like differentiation between corporate customers and retail customers. But such differentiation is only in case of offering internet banking services. However mobile banking services, phone banking services and ATM services are offered in the same manner to all kind of customers. It is worthwhile to note that banks should encourage existing and new customers in order to make e-banking services popular among customers. But all the services are not offered in the same extent by all the banks. Banks lag behind in offering the services such as demat holding, loan details, interest rate updates, share trading, buying and selling of mutual fund, request for the debit cards etc. As the electronic banking services are recently started by all the banks, so banks can expand these services so as to make the customer more satisfied. A part from balance enquiry, transaction history, ATM services; private sector banks are offering more advanced electronic banking services like online shopping, online loans, demat holding, loan details, mobile top-up, buy and sell of mutual fund, card to card transfer, mobile banking, phone banking services to its customers. All the banks are trying their best to offer electronic banking services, so that customers can easily cope up with new technology products.

Customer Attraction and Satisfaction for E-Banking

Customer satisfaction is likely to be even more important online, since it is harder to keep online customers loyal. In banking, which has traditionally been a high contact service, the lack of direct human interaction in internet banking entails the need to examine the role of technology, shopping, and product factors to construct e-CS. Banks must have the knowledge on how to get their customer satisfied, especially in relation to the e-SQ, and in internet banking, it shall be prioritized. Many researchers used different technology approaches or theories to test the determinant factors that affect consumers' acceptance of information technology systems. TAM was used as the basis of the theoretical framework to build a model to determine the internet banking intention. TAM was introduced by Davis, which stressed on adoption degree of a person in using a technology and aspects that affect his or her acceptance or intention to use the technology.

All banks are striving to capture maximum market share and do not want to lose. The customer expects that banks

will meet their requirements accurately. If customer Expectations are low with banks value added services than customers may be inclined to consider switching more frequently. Since latest technologies are being utilized by the banks but there is still need for improvement in order to handle and meet with the high level of customer expectations that directly leads to high customer satisfaction. If companies handle service, complaints, and value with the customers in focus, their expectations can be exceeds. Customer satisfaction is the degree of fulfillment of perceived expectations and the actual value added services provided by the banks. Heavy investments are made to maximize level of customer satisfaction but only increasing the resources alone cannot lead to increased levels of customer satisfaction. Thus there must be other factors leading to improve customer satisfaction as pointed that customer satisfaction is achieved through good qualitative and quantitative services. These qualitative and quantitative services must meet and satisfy the customer requirements in order to maximize the level of customer satisfaction that leads to customer loyalty.

Survey Regarding the Customer Satisfaction towards E-Banking in Kashmir Valley

The survey was carried out in the major city of the Kashmir. Customers of the different banks were taken as the sample unit. Sample size was 300 for the current research. Self-developed questionnaire was used to get responses from the respondent. This study is descriptive in nature and sample units are selected on the convenience bases.

| Table 1 Characteristics of Sample | | |
|-----------------------------------|--------------------|---------------------------|
| | NO. OF RESPONDENTS | PERCENTAGE OF RESPONDENTS |
| GENDER | | |
| MALE | 232 | 77% |
| FEMALE | 68 | 23% |
| TOTAL | 300 | 100% |
| AGE | | |
| 16-25 | 80 | 26.66% |
| 26-35 | 102 | 34% |
| 36-45 | 83 | 27.66% |
| 46-60 | 30 | 10% |
| 60 ABOVE | 5 | 1.66% |
| TOTAL | 300 | 100% |
| OCCUPATION | | |
| SALARIED | 103 | 34.33% |
| BUSINESSMEN | 60 | 20% |
| PROFESSIONAL | 30 | 10% |
| STUDENT | 90 | 30% |
| HOUSEWIFE | 17 | 5.66% |
| OTHER | 0 | 0.00% |
| TOTAL | 300 | 100% |

In my survey 77 % was Male customer and 23 % was Female customer. So we can conclude that in

Kashmir valley both men and women are using banking services.

| No. of A/C | No. of Respondent | No. of Respondent in % |
|---------------|-------------------|------------------------|
| One | 183 | 61% |
| Two | 78 | 26% |
| More than two | 39 | 13% |
| Total | 300 | 100% |

From the above survey which is in table 2 , 61% of customers are using only one account and 26% people are using two accounts and only 13 percent are using more than two accounts. It means that more people prefer only one account.

| Type of A/C | No. Respondent | In% |
|-------------|----------------|--------|
| Saving A/C | 105 | 35% |
| Current A/C | 65 | 21.66% |
| salary A/c | 130 | 43.33% |

From the above table 3 it came to know that there are 43.33% salary account holders and there are only 21.66% current account holders and there are 35% saving account holders.

| Particular | No. of respondent | In % |
|------------|-------------------|------|
| YES | 240 | 80% |
| NO | 60 | 20% |
| Total | 300 | 100% |

From the above table it came to know that 80% are using ATM services While as only 20 % are not using from the sample of 300 people.

| Frequency of usage | No. of respondent | In % |
|----------------------|-------------------|--------|
| Everyday | 33 | 13.75% |
| One alternative days | 72 | 30% |
| Once week | 120 | 50% |
| once in month | 15 | 6.25% |

From the above table we can interpret that 240 customer used ATM service and from them 50% of customer has used ATM services once in a week. While 6.25% customers use ATM services once in a month. So we can conclude that most of the customers used ATM service at least once in a week.

| Particulars | YES | NO |
|-------------------|-----|-----|
| PURCHASING | 20 | 220 |
| PAY BILLS | 12 | 228 |
| MOBILE RECHARGING | 0 | 240 |
| DEPOSITE | 0 | 240 |
| CHEACK AC BAL | 88 | 152 |
| WITHDRAWAL | 230 | 10 |

From the above table we can interpret that 230 customer used ATM service for cash withdrawal and other usage of ATM services like purchasing travel tickets, pay bills, mobile recharging, deposit, check ac bal. So we can conclude that most of the customer use ATM debit card services for cash withdrawal.

From the above table it came to know that the total number of e-banking users is 102 out of 300. So the awareness among account holders regarding the e-banking should be provided by banks, so that the customers will take full advantage of this great service.

From table 8, out of 102 e-banking users 42 are using the service of online shopping, 34 are using the service of pay bills 15 are using the service of mobile recharge and 100% are using the services of cash transfer and check account balance.

Conclusion

In this study I have discussed different aspects of e-banking such as e-banking and its evolution, e-banking in India, Benefits of e-banking, e-banking in Kashmir valley , awareness of IT, Internet Banking Services and the overall perception of customers regarding the services of e-banking. Age and occupation are the important demographic factors in the banks which have used to measure the perception of the customers on e-banking services.

The study concluded that different age groups of customers have different perception toward the e-banking services and the usage level of these banks. Customer is different so banks should concentrate on all the age group of customers for betterment of e-banking. It has been recognized that different occupation and age group of customers have different perception toward the e-banking services. There are good number of customer in every group like student, business class, service class and professionals, it shows that they all are keen interesting in using the e-banking services.

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