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**A study on customer's problems and prospects
towards e-banking with special reference to
Palakkad district, Kerala**

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Abstract

The intention of this paper is to qualitatively explore the current status, problems and prospects of E- banking in Palakkad district, Kerala as a case study. Banking is one of most excellent and prime service sector in India. A hale and hearty banking system is a vital constraint for economic growth. Indian banking system, today, is at the heart of an IT (Information Technology) upheaval. The implementation of internet in banking organizations has rationalized the banks. The present picture is concerned in the banking industry in Kerala going through a modern stage namely E-Banking. E-Banking is gradually replacing with the use of cheques, pay-in-slips, drafts and most notably customers individually dropping into the floors of banks. E-Banking is a broad term encircling internet banking, telephone banking, mobile banking etc. The hi-tech innovations pooled with radical changes in the communication industry has provided and formed amiable ground for successful E-Banking. Internet banking has the potential to make over the banking business as it considerably lowers transaction and delivery costs. This paper talks about why e-banking is awfully a trustworthy approach to deal with funds. Internet banking offers great value in terms of handiness, customer intimacy, time saving, inexpensiveness and consistency in banking. Regardless of a few disadvantages, E-banking is a much recommended, new know-how.

Keywords: - Online Banking, Internet Banking, Commercial Banks, Consumers Prospects, Banking Services, Customers problems, E-Banking, Information Technology

1. Introduction

Banking is the sustenance of a nation. The current and way forward of any economy depends upon the accomplishment and enlargement of banking. Indian banking is the backbone of the state and its individuals. Indian banking system, nowadays, is inside the core of an IT (Information Technology) revolution. The competition among the banks has light-emitting diode to the rise in total banking automation within the Indian banking system. Electronic banking is outlined as "Delivery of bank's services to a client at his workplace or home by exploitation of Electronic technology will be termed as Electronic Banking". Online Banking or web Banking or E-banking lets the purchasers of economic transactions on a protected web site managed by the establishment, which may be a retail bank, virtual bank, banking company or savings and loan. The privileged services covered beneath E- banking includes of:-

- ❖ Automated Teller Machines (ATM)
- ❖ Credit Cards
- ❖ Debit Cards
- ❖ Smart Cards
- ❖ Electronic Funds Transfer (EFT) System,
- ❖ Mobile Banking
- ❖ Internet Banking
- ❖ Telephone banking
- ❖ Electronic Clearing Services

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The perception and scope of E-banking remains evolving. It facilitates an effectual payment and method of accounting thereby, enhancing the speed of delivery of banking services drastically. A flourishing E - banking offers:

- ❖ Checking with no monthly fee, free bill payment and rebates on ATM
- ❖ Surcharges Credit cards with low rates
- ❖ Easy on-line applications for all accounts, including personal loans and mortgages, 24-hour account access
- ❖ Quality client service with personal attention
- ❖ Advantages antecedently command by massive money establishments have contracted significantly

Thus, a bank's web existence renovates from 'brochure' category to 'Internet banking' position once the bank goes through a technology integration effort to facilitate the customer to access data regarding his or her precise account

2. Literature review

E-banking is an improvement while new data technologies merge into ancient banking services. In accordance with **Nevens (1999)**, the bank dealing price plunges 80% or further once it is handled electronically. Operating expenditure minimization and returns maximization are the key drivers that boost e-banking services (**Sannes, 2001; Reibstein, 2002**). E-banking service is fundamentally a self- service by customers, therefore for banks, it entails less resources and lower business and production outlay (**Southard and Siau, 2004; Witman and Poust, 2008**). Web banking involves use of net for delivery of banking merchandise and services. There are a numerous major challenges and problems facing the web banking in the present day. The foremost and possibly most key aspect is that the security concern (**Ziqi and Michael, 2003**). Another challenge facing net banking is that the eminence of delivery service – together with each delivery speed and delivery trustworthiness (**Furst et al., 2000**). Moreover, client education on security risks will play an indispensable role for shopper protection and therefore, limit reputational threat of the banks. Finally, the concern of client unusualness with the web is additionally crucial to touch upon, that is high among senior voters (**Yang et al., 2007**). Within the fast dynamical monetary surroundings, severe competition and changes within the restrictive policies formed ambiguity and risk for the Indian industry. Grasping this reality, academicians and practitioners highlighted in their studies that data supply in banks was of capital importance and that they checked out data technology as strategic response to dynamical monetary environment/challenges (**Ammayya, 1996**). **Beckett, Hower and Howcroft (2000)** expressed that the emergence of recent sorts of technology had created extremely competitive market conditions for bank suppliers. Many academicians and practitioners argued that technology in banks would facilitate to enlarge the amount of productivity and client satisfaction (**Girish and Preetha, 1997**). To fulfill the challenges posed by the entry of foreign banks, Indian banks ought to endow heavily in technology to fulfill competition, scale back price, improve client service, improve productivity and supply new products/services.

3. Objectives of the study

- ❖ To study the challenges faced in E-banking in Kerala
- ❖ To have an insight into the outlook of customers towards internet banking
- ❖ To study the opportunities existing in E- banking in Kerala
- ❖ To identify the prospects and problems of existing E-Banking systems

4. Problems of e-banking

The following are the problems faced by the customers of Palakkad District, Kerala in using internet banking.

- ❖ Complexities in implementation of technology
- ❖ Confidentiality, reliability and validation
- ❖ Customer Satisfaction
- ❖ Handling Technology
- ❖ Security Fraud
- ❖ Privacy risk
- ❖ The Trust Factor – Fear of online threats/scams
- ❖ Hard for first timers
- ❖ Low broadband Internet Penetration

5. Prospects of e-banking

The prospects of E-banking for the customers of Palakkad, Kerala are as follows:

- ❖ Convenience
- ❖ Multiple Channels – One stop shop
- ❖ Commendable Customer Service
- ❖ Initiatives taken by government agencies for financial literacy
- ❖ Ever-increasing Internet Users
- ❖ Safe and secure
- ❖ Nominal Costs

6. Based on primary data and secondary data. Primary data has been collected through observation Research methodology

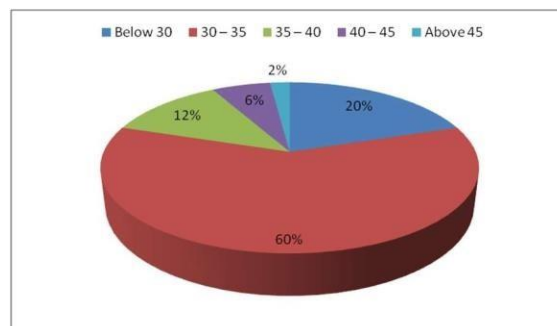
Research design is the skeleton or sketch for a study that steers the compilation and scrutiny of the facts. It is a plan or proposal according to which research is to be carried out. The focus is to study the internet banking and customer awareness towards internet banking. The current study is merely methods, questionnaires, interview methods. And the secondary data Secondary data are information study already collected by others for certain purpose. Secondary data can be internal and external. The tools used for interpretation are percentage analysis.

7. Data analysis and interpretation (results)

Percentage method is used for evaluating the respondents. The scrutiny of each respondent is as follows.

i. Age wise classification of respondents

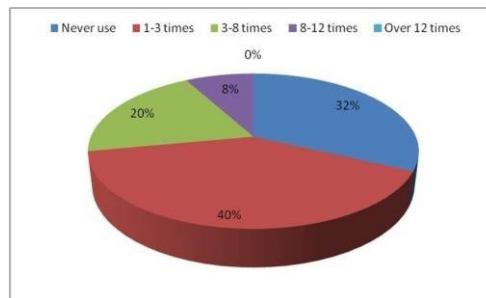
Sl. No.	Age Group	No. of Respondents	Percentage
1	Below 30	10	20%
2	30 – 35	30	60%
3	35 – 40	6	12%
4	40 – 45	3	6%
5	Above 45	1	2%
6	Total	50	100%



Interpretation: Above table and graph shows 20% include in below 30 age group, 60% in 30-35 age group, 12% in 35-40 age group, 6% in 40-45 age group and 2% above are 45 age group

ii. The respondents using internet banking services in a month

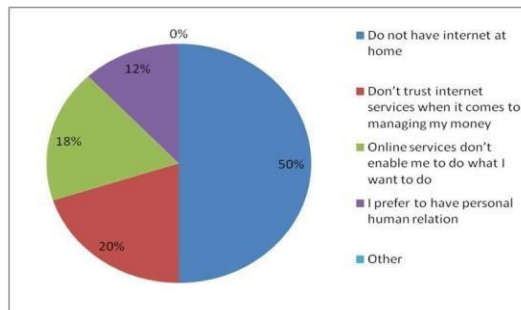
Sl. No.	Using internet banking month	No. of Respondents	Percentage
1	Never use	16	32%
2	1-3 times	20	40%
3	3-8 times	10	20%
4	8-12 times	4	8%
5	Over 12 times	0	0%
6	Total	50	100%



Interpretation: Above table and graph shows that 32% respondents are never using internet banking services, 40% were using 1-3 times in a month, 20% using 3-8 times and 8% using this services 8-12 times in a month.

iii. Respondents reason for never using internet banking services

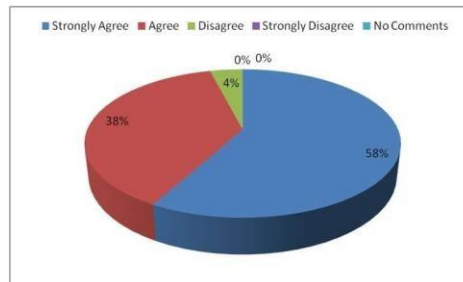
Sl. No.	Reason for never using internet banking service	No. of Respondents	Percentage
1	Do not have internet at home	25	50%
2	Don't trust internet services when it comes to managing my money	10	20%
3	Online services don't enable me to do what I want to do	9	18%
4	I prefer to have personal human relation	6	12%
5	Other	0	0%
6	Total	50	100%



Interpretation: Above table and graph shows that 50% respondents never using internet banking because of do not have internet at home, 20% do not trust internet services when it comes to managing their money, 18% consider online services do not enable them to do what they want to do and 12% prefer to have personal human relation

iv. Electronic banking vs manual banking

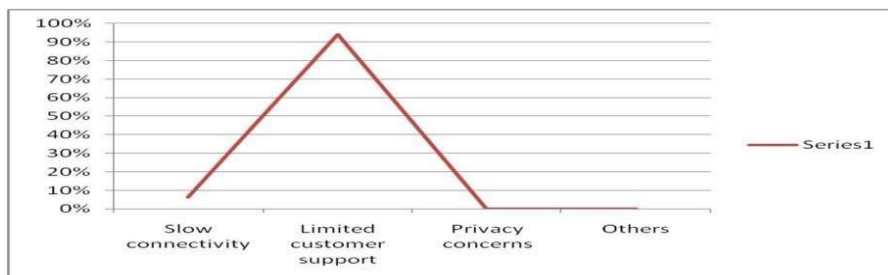
Si. No	Opinion	No of Respondents	Percentage
1	Strongly Agree	29	58%
2	Agree	19	38%
3	Disagree	2	4%
4	Strongly Disagree	0	0%
5	No Comments	0	0%
6	Total	50	100%



Interpretation: It is inferred that above table and graph shows 58% were strongly agreed about electronic banking was better than manual banking, 38% respondents were concerned agreed about electronic banking but only 4% respondents were concerned disagreed about electronic banking was better than manual banking

v. Respondents main problem encounter with internet banking

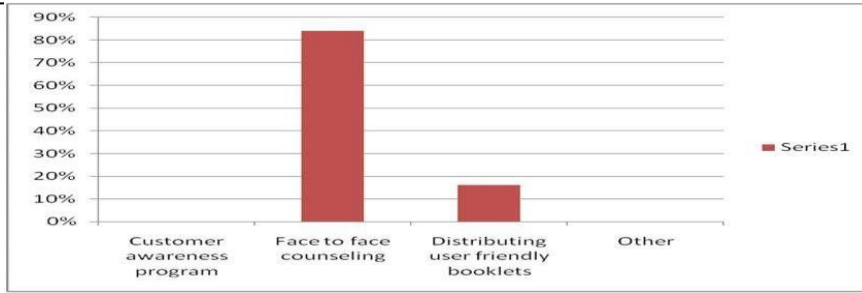
Sl. No.	Respondents main problem with internet banking	No. of Respondents	Percentage
1	Slow connectivity	2	6%
2	Limited customer support	32	94%
3	Privacy concerns	0	0%
4	Others	0	0%
5	Total	34	100%



Inference: From the above table and chart it is inferred that 96% consider limited customer supports as the main problem encountered with internet banking and 6% face slow connectivity as the main problem.

vi. Important steps taken by banks to motivate customers to use internet banking

Sl. No.	Important steps taken by bank to motivate customers to use internet banking	No. of Respondents	Percentage
1	Customer awareness program	0	0%
2	Face to face counseling	42	84%
3	Distributing user friendly booklets	8	16%
4	Other	0	0%
5	Total	50	100%



Interpretation: Above table and graph shows that 85% respondents agree that face to face counseling is undertaken by the banks to motivate to use internet banking and 16% states that distributing user friendly booklet by the banks to motivate the use of internet banking.

vii. Respondents’ reasons for using e-banking

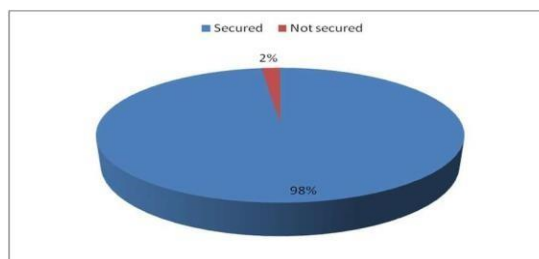
Si. No	Reasons	No of Respondents	Percentage
1	Good Customer Service	17	34%
2	Just in time Services	6	12%
3	Security & Privacy	14	28%
5	Knowledge Related	13	26%
6	Total	50	100%



Interpretation: From the above figure, we observed that out of 50 respondents, 34% believes in good customer service in internet banking, 12% agreed in just in time services, 28% are happy with security and privacy in e-banking and 26% believes that e- banking is knowledge related.

viii. Customer perception towards safety and security of e-banking

Opinion	No. of Respondents	Percentage
Secured	42	84%
Not secured	8	16%
Total	50	100%



Interpretation: Among 50 respondents, majority of them have faith on safety and securities of electronic banking. It states that 84% of respondents agreeing with the safety. And remain 16% shows that electronic payment is not secured.

8. Discussions

Findings and Suggestions:

This study was conducted in Kerala to find out the problems and prospects of customers in Kerala towards internet banking. The present study is based on 50 sample selected by using purposive sampling technique which involve interview schedule 15 questions. From the above tables and charts, it is interpreted that majority of the respondents comes under the age group 30-35 and most of the respondents are graduates. All of the respondents are holding a bank account and majority among them have faith in internet banking.

A well-functioning e-banking network is reliant on availability of a backbone network linking the whole country. Developing and implementing online banking system in a country is much challenging. To improve or overcome the problems of e-banking services in the country, the E-banking systems should be effortless to use, fast and user friendly.

Findings of this study revealed that internet banking has been analyzed by banks and customers as a cost reduction channel. It furthermore saves time and makes out no physical margins. The findings additionally open to the elements that a large amount of clients who have taken up web banking services trusts that it has a bunch of prospective concerning its advantages, however a good number of users also supposes that there are further troubles put together to internet banking services than the benefits as substantiation from the findings. This is mainly due to the security and privacy issues on one hand and lack of telecommunication infrastructures, poor education of the users and poverty (low income) issues on the other.

E-banking services should be standardized so that wherever the solution is used the customer is well-known with the procedure followed. Government should oblige the banking sectors to automate their operation and going online by a specific period. The Government should implement the cyber laws to ensure proper security about customer's information. The Government, in collaboration with the banks, should educate and inform its citizens and customers on the workability and effectiveness of E-banking. This will increase the confidence level of customers. As e-banking users mostly use ATMs in most cases, the banks should emphasize on providing uninterrupted service.

9. Conclusion

The research report is based on primary data. The Online banking services of commercial banks have been developing concept in India and across the world. Nowadays, the customers who are using the online services to bank deposits, money transfers, bills payments and some other business transactions always done by the online access. It bridges the gap between the savers and borrowers with more customer satisfaction, good customer attitude and perception towards online banking services. In the times of yore, the Indian banking segment has absolutely altered. The banks are confronting countless challenges and various opportunities are existing within the banks. Numerous monetary modernizations like ATMs, credit cards, RTGS, debit cards, mobile banking etc. have wholly amended the expression of Indian banking. But still there is a need to have more pioneering solutions so that the challenges can be solved and opportunities can be availed efficiently by the Indian banks.

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