

Boundary-less-Banking : Bankers' Perception on Online-Banking in Meerut District

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Abstract

Online Banking in simple terms means, banking services through website which does not involve any physical exchange of money, but it's all done electronically, from one account to another. There is no need to go to the bank for transactions. Instead, one can access one's account any time and from any part of the world, and not necessarily at times when the bank is open. For busy executives, students, and homemakers, online-banking is like a virtual boon. No more taking precious time off from work to get a demand draft made or a Chequebook issued. Albeit, the day is not far enough when there will be any need for Demand Draft and cheque transactions and Pass book printing facilities. Banks use a variety of names for online banking services, such as PC banking, home banking, electronic banking, boundary less banking or Internet banking.

It is the revolution of online banking that boosted up the e-commerce. Without online payment facilities, e-commerce cannot be thought upon and bill payments over internet can not be exercised. The present study is done in Meerut district with a basic hypothesis that the Banks are not able to provide full benefits of the Online-Banking to all customers. Lack of education and lower per-day wages are two hard facts that drawback lower level Indian population from the usage of online-banking. On the other hand, Government and organisational environment are influencing the Indian Banking System to be more electronic-friendly so as to provide easyness in banking procedures. These two polar reversals forced the author to conduct a study entitled "Boundry-less-Banking : Banker's perception on Online-Banking in Meerut District".

Keywords : Boundary-less-Banking, Online-Banking, ICT, Banking Industry.

JEL Classification : G 21, O 16, P 43.

1. INTRODUCTION

The advent of Online-Business backed by



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techno-innovative global environment is constantly energizing the business organization to redefine their business operations in terms of value chain management and restructuring business models. Likely, the financial sector, too, is transforming fast under the impact of competitive, regulatory and technological forces. Thus, the banking sector automatically came currently under the transition phase. Consequently, the banks have put themselves in the World Wide Web to take its advantages of

quick efficiency and better reach, to cope with the accelerating pace of techno-innovative global change in business environment. Bill Gates says that banking is vital to a healthy economy, but banks themselves are not aware of the crucial nature of the electronic forces that are affecting banks more than any other financial service provider group. This transition of business operations by banks have created new mode of operation called online-banking.

Online-banking is a reality now. It is the newer delivery channel. Though, the acceptance level may not be high among the masses, because purchasing power and general awareness about banking is very weak. Moreover, capital formation and savings are low.

As a matter of fact, the progress of transformation from traditional banking to online banking has been slow. In this reference, the foreign and private banks have started online banking very early and well. But, public sector and traditional banks can not adopt the online banking in the same manner as foreign banks are doing. Thus, these banks, for better service and to compete with, are looking for effecting ICT partners.

Online Banking in simple terms means, banking services through website which does not involve any physical exchange of money, but it's all done electronically, from one account to another. There is no need to go to the bank for transactions. Instead, one can access one's account any time and from any part of the world, and not necessarily at times when the bank is open. For busy executives, students, and homemakers, online-banking is like a virtual boon. No more taking precious time off from work to get a demand draft made or a Chequebook issued. Albeit, the day is not far enough when there will be any need for Demand Draft and cheque transactions and Pass book printing facilities.

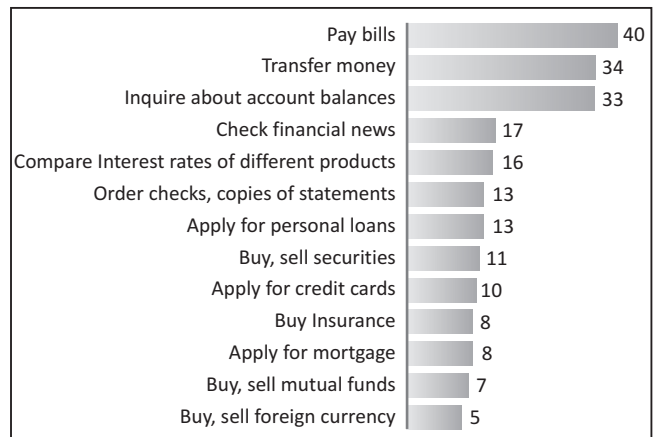
Banks may offer online banking in two main ways. One, An existing bank with physical offices can establish a Web Site and offer online banking to its customers in addition to its traditional delivery channels.

And, as a second alternative is to establish a "virtual", or "branchless", or 'online only' bank. The computer server may be housed in an office that serves as the legal address of such a bank, or at some other location. Virtual banks may offer their customers the ability to make deposits and withdraw funds via automated teller machines (ATMs) or other remote delivery channels owned by other institution. Or, such banks may offer cashless banking facilities through online transfers either to an individual or to internet purchases, or bill payments. Recently, Mukesh Ambani has mentioned this concept of virtual Banking to be lunched soon in India. Already Paytm is providing revolutionary bankings through 'Paytm Payments Bank'.

Online system allow customers to plug into a host of banking services from a personal computer or over phone by connecting with the bank's net through telephone wires. Therefore, Not only the travel time is reduced, but ATM machines, are often necessary. The technology continues to make online banking, computer entranced, easier for the average consumer.

Banks use a variety of names for online banking services, such as PC banking, home banking, electronic banking, boundary less banking or Internet banking.

Figure 1
Functions preferred by potential users, percent of respondents (n = 2,360)



Source : Mckinsey's Asia-Pacific Proprietary Personal Financial services 2015 survey

2. CONCEPTUALIZATION OF BOUNDARY LESS BANKING

In a constantly changing world of today, banking is more challenging. Change is permanent and real. If the pace with the coming changes can not be maintained, the customers or the banks will become obsolete and tender. The Processing of Financial Transactions has changed in due course with the advent of Science and Technology. Science and Technology has transformed simple human life into easier, more comfortable and more luxurious life. Therefore, Banks, today, are adopting new and newer techno-innovative changes for better services to consumers.

Online banking has become absolute. As a tool of modern living and as a Because of the fact that online banking offer's such services that are almost impossible to avail of in regular banking.

In the recent years, online banking is gathering fast popularity, thus, the banks too, started implementing different policies in this field to increase scope and user base in the future. In future and as government is regular indicating that without adopting these upcoming online banking modules, the Individuals and businesses will suffer and feel handicapped in banking procedures. As things stand now, using conventional methods of business inquiry, confirmation, order-placement and bill payment is retrograde at best.

It is the revolution of online banking that boosted up the e-commerce. Without online payment facilities, e-commerce cannot be thought upon and bill payments over internet can not be exercised.

However, traditional biases against online banking are not going to be overcome entirely by hard facts and figures in its favour. It depends only on the techno-innovative and easy interface facilities between the customer and bank. Till today, Banking companies are using such interface that suits to them. They are not

taking it from the customer point of view and customer operational vision. Therefore, customer feels it hectic and if banks simplify the operations, it may become prone to cyber frauds.

3. NEED OF THE STUDY

The present study is done in Meerut district with a basic hypothesis that the Banks are not able to provide full benefits of the Online-Banking to all customers.

It is a notable fact that India population vary in education, living standard, income and geography. Therefore, it can not be a 100 per cent established fact that all Bank customers are future online-banking customers. Lack of education and lower per-day wages are two hard facts that drawback lower level Indian population from the usage of online-banking.

On the other hand, Government and organisational environment are influencing the Indian Banking System to be more electronic-friendly so as to provide easyness in banking procedures.

These two polar reversals forced the author to conduct a study entitled "Boundary-less-Banking : Banker's perception on Online-Banking is Meerut District".

4. RESEARCH METHODOLOGY

Research Objective : To analyse the bankers perception regarding Online-Banking.

Area : Meerut District

Sample : 100 Bank employees of different Banks in Meerut Districts chosen randomly without choice.

Tool : Personal interview and questionnaire.

Method : Likert 5 point scale (1 to 5 with strongly agree to strongly disagree)

5. ANALYSIS

There was four core issues which have been served in the present study to clear understand the perception of Bankers about the

Online-Banking. These core issues have been judged on the basis of a set of 20 questions. Strategic issues, Functional issues, Customer Related Issues and Technology Related Issues are the four core sectors of the study.

a) Operational Issues

Table 1 represents the tabulated results of the survey for operational issues.

Questions 1-6 sought information on whether or not the banks had a clear perception regarding the strategic issues of Online-Banking. 92 per cent of the respondents thought that Online-Banking is important for a bank’s survival

while approximately 89 per cent believed that it will have a positive impact on the brand of the bank. However, only 46 per cent of the respondents agreed that Online-Banking would lead to a smaller number of traditional banks. Furthermore, only 53 per cent of the bankers feel that Online-Banking has achieved the status of the preferred form of banking. This means that a majority of the customers still prefer to use the traditional form of branch visit banking and will be the driving force to compete in the future (96 per cent). However a majority of the respondents disagreed that online banking is only for large customers.

Table 1 : Operational Issue

	Percentage Agreeing	Mean	Standard Deviation
Strategic Issues			
Important for a bank’s survival	92	1.68	.73
Necessary for building the image and brand of the bank	89	1.74	.77
The number of traditional banks will decrease	46	2.77	1.01
Preferred form of banking by large customers	53	2.70	1.12
Online banking is only for big banks	10	3.88	.80
Will be the driving force to compete in the future	96	1.72	

Table 2 : Functional Issue

	Percentage Agreeing	Mean	Standard Deviation
Functional Issues		1.76	.60
Reduction in costs	86		.76
Convenience and comprehensive view of services to customers	83	1.90	.93
Better cash management	86	2.15	.90
The customer base of the banks will increase	72	2.23	.77
Processing speed	95	1.61	.58

b) Functional Issues

Questions 7-11 (Table 2) sought information on the operational issues of Online-Banking. 86 per cent of the respondents

reported that Online-Banking would significantly reduce the costs while 83 per cent thought that it is convenient and show comprehensive view of the services to customers.

Online-Banking facilities speed up each cycle and increase the efficiency of business processes. 86 per cent of the respondents believed that Online-Banking would help in better cash management while 72 per cent thought that it will also help in increasing the customer base of the banks. A relatively large number of customers (20 per cent) could not comment on the impact of Online-Banking on the customer base. Question 11 is asked if the processing speed of the transactions would be increased. 95 per cent of the respondents agreed with the above statement.

c) Customer Related Issues

Questions 12-16 are concerned with

customer related issues. Table 3 reports these results. As expected nearly all respondents (95 per cent) thought that Online-Banking would result in an increased benefit to the customer. 88 per cent of the respondents felt that it is economic to obtain information online. However, only 66 per cent of the respondents thought that online banks can afford to offer extremely good deals to their customers. Question 15 asked if online banking will reduce the customers' trust in the bank. Only 9 per cent of the respondents agreed, 11 per cent did not know what to say while 80 per cent disagreed with the above statement.

Table 3 : Customer Related Issues

	Percentage Agreeing	Mean	Standard Deviation
Increased benefit to the customers	95	1.60	.55
Information gathering is economic online	88	1.75	.74
Online banks can afford to offer extremely good deals to their customers	66	2.35	.97
Online Banking will reduce the customers trust in the bank	9	3.92	.929
Customers do not want to make additional payments through Online banking	72	2.22	1.06

Finally a majority of the respondents agree (72 per cent) that customers do not want to make additional payments through banking.

Online-Banking encompasses a broad range of established and emerging technologies. Today, technology has given banks access to a whole range of systems and information that has enabled banks to acquire and manage customer information.

d) Technology Related Issues

Technology is a great source of opportunity for banks that have an immense client base and if exploited well can substantially increase the efficiency and competitiveness of banks. All over the world technology is allowing new competition to rapidly develop numerous online-business potential. For example, the benefit of access to a breadth and depth of

Table 4 : Technology Related Issues

	Percentage Agreeing	Mean	Standard Deviation
Impact of technology on the banking industry	96	1.66	.62
Technology has unlimited potential in times to come	88	1.72	.79
Technology is an important source of opportunity for large banks	94	1.65	.59
Technology is expensive to adopt	74	2.16	1.03

customer information is one of the most important benefits that banks perceive technology as offering. Table 3 presents the results.

Question 17 asked from the respondents about the impact of technology on the banking industry. Almost all the respondents (96 per cent) agreed that technology had brought about a significant change in the banking industry and has unlimited potential in times to come (88 per cent). 94 per cent of the respondents agreed that technology had made a huge difference and is a great source of opportunity for large banks, who already have an immense customer base and brand image; which the other smaller banks do not possess and could take year to acquire. Online-Banking is a technology that is ideally suited to mass market applications. Banking and other forms applying technology that already has a wide customer base can win an almost unassailable competitive advantage.

Finally, 74 per cent of the respondents agreed that maintaining such a system would be expensive. This problem is further compounded by the fact that there is a definite shortage of talented employees who are comfortable with information technology. Thus, in India, the need of the hour is to make Online-banking more affordable for banks to be able to implement it in a cost effective manner and provide better services to their customers.

The questionnaire discussed at some length the issue of regulation and taxation in the banking industry. Questions 21 and 22 addressed the potential for a global regulator to appear in the banking industry. 66 per cent of the respondents agreed that there should be a uniform global regulatory body while 79 per cent felt that some aspects of global regulation have to be country specific. From a competitive standpoint, there cannot be different laws and regulation that give one entity a competitive advantage over others. Only a small percentage of banks (31 per cent) agreed that regulations

given by RBI are sufficient. Thus there has to be some independent body formed to decide the policies and regulatory norms for Online-Banking in consensus with the opinion of experts from the Indian banking industry.

In Asia, the major limiting factor in the growth of Online-Banking is security. Banks need to adopt more stringent security measures and firewalls built to ensure security to the banks as well as the customers availing banking services through the net. This was also reflected in the perception of the respondents where almost all (99 per cent) of the banks agreed that security is a major issue to be taken care of in Online-Banking. There were varied opinions and the respondents were uncertain as to whether human regulators are good or market is the best regulator. Only 59 per cent of the respondents agreed that human regulators are good but probably a greater understanding has to be developed on the best regulators.

Almost 71 per cent of the respondents agreed that development of regulation is not yet in step with other developments in the Online-Banking world. 88% reported that development of regulation and supervision of Online-Banking are still at any early stage and are evolving. Many organizations are still uncertain about the regulatory framework for conducting Online-Banking and whether there are additional regulations which they need to comply with. David Carse [1999] observes that the development of regulation and supervision of Online-Banking is still at an early stage and is still evolving.

The point to take into account here is that regulations based on national boundaries are of little value for business trading globally on the internet. The internet affects to many interest and raises too many social questions and business need to be aware of regulation in the other countries and how these might apply to them.

As Cyberspace is inherently international

there are some aspects that will be globally regulated but the primary part of regulations will be country specific.

6. CONCLUSION

The purpose of this research paper was to analyze the perception of banks regarding the strategic and operational value of Online-Banking, the key technology considerations, its benefits to customers and the regulatory and taxation dimensions.

The results indicate that at present Online-Banking is offered by a large number of banks, though the full benefits of Online-Banking have still to be realized by many banks. A significant number of banks believed that providing these services to the customer is necessary for survival and will have a positive impact on the image of the bank. With competition stiffening in a mature market, competitive advantage will come from providing innovative services or services that are uniquely bundled through the web site. Just as companies are advised to look beyond their own industries in benchmarking other facets of operation, banks should examine other technologically advanced industries for ideas. (Southard and Siau, 2004)

Respondents felt that banks not providing Online-Banking capabilities would lose customers to competitors who offer such services. Changes in customer lifestyle are amongst major factors pushing banks to implement technology based services that will deliver traditional transactions in a more timely and convenient manner. Banks need to continuously innovate in bundling their services, including the used of new technology. Wireless communication and mobile banking will continue to increase, making Online-Banking even more ubiquitous.

The findings of the study indicate three paths for the future. First, Online-Banking represents a new challenge to the overall competitiveness of the banking industry and is the future of banking. It is a very essential tool on which the Indian banking industry is going slow and needs to speed up. Second, managing technology is a key challenge for the Indian banking sector and the future of Online-Banking depends heavily on the future development of technology. Third, security of Internet transactions is of paramount concern to most customers particularly where financial information is involved. (Stafford. 2001).

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