

CHAPTER-VI

CONCLUSIONS AND RECOMANDATIONS

CHAPTER VI

CONCLUSIONS AND RECOMANDATIONS

6.1 INTRODUCTION

IT was becoming a widespread phenomenon in many developing countries that no industry could succeed without its application particularly banking industry which relied heavily on IT to achieve effective cost reduction and customer satisfaction. In this chapter the findings of the survey on how IT could impact Indian commercial banking are presented, conclusion and interpretation of the findings are provided. Then recommendation and suggestion for further research are described. As mentioned before the primary objective of this research is *threefold*. First, to investigate the impact of IT on the cost and profit efficiencies of the financial institutions under study, this research explores the significance and contribution of information technology (IT) to commercial banks. Second to examine IT communication effectiveness and figure out what factors influence customer's adoption towards IT-based service. And finally to investigate to what extent IT enhance customer satisfaction. This chapter discusses the results drawn from both the qualitative and quantitative research effort and from theoretical prospective. Finally the limitation of this study and further research directories are also provided.

The impact of info-tech on financial institution are vary from one country to another, financial institution in the developed country are able to align the new IT financial management much better than other developing. Banks in some developing countries are moving gradually into virtual banking through the use of electronic delivery channels to deliver their services and products , which includes the use of multimedia and smartcards to offer more services to their customer wherever they need them, thereby reducing costs.

6.2 Findings of the Study

The current study found that, in general, banking system in Pune mostly is fully computerized and networked, and electronic banking has been developed to some extent. The banks implemented IT to gain competitive advantages, and private Banks in India had paved the way in automation, because of their competitive strategy use of IT, and their readiness to face foreign completion.

6.2.1 IT Application and Strategy

The findings of this study reveal that;

1. Positive correlation exists between IT and banks profitability in Pune. This implies that a marginal change in the level of the adoption of IT in the banking industry will result to a proportionate increase in the profit level.
2. Banks that have a high level of IT will make serious use of production and efficiency practices and flexible work arrangements which will yield the best performance and accordingly improvement in customer service.
3. Improvement in the communication effectiveness through IT-based services helps banks to identify ways to improve services and expand customer base. This is because attention is now on the ability of banks to retain their existing customers as well as attract new customers, which is mainly depends on their efficient service delivery that depends on the use of ICT.
4. The researcher found that the influence of customer satisfaction is through the firm technology. That is changes in customer satisfaction impact firm financial performance.
5. IT-based services provided by banking sector in Pune contribute to the satisfaction of the customers. Since online banking is gaining popularity in India among individual users, and almost all of the banks providing online services.

6. The focus of investment will shift from cost-cutting to customer loyalty and customer acquisition, measures to cut operating costs and optimize operating processes will take second place behind customer loyalty programs. Investments in customer management systems will increase further and front processes will be further automated.
7. The survey data reveal that overall of Indian commercial banks indicated that the strategic application of IT could likely enable them to be domestically and globally competitive to a great extent. The banking industry has demonstrated a fair amount of competence in the application of IT and has a clear vision of how IT could be furthered applied successfully. Also, the expectation of their customers is very high and in response banks using IT to satisfy the demand for quality services and products. This request for proper analysis to determine the type, nature and extent of IT products required for effectiveness and efficiency.

Some previous researches declared that “IT applications in the developing countries is very cumbersome, even though the price of IT is falling it is still very costly”. Although IS expenditure is regarded costly and risky financial institutions are one of the largest investors in IS (Robson, W., 1997)¹. It is advised that, to strategically use IT, banks in India should be futuristic in order to obtain optimal decision on IT investments. For delivering products and services to customers domestically and globally banks in India should cooperate more with one another, especially in the area of IT implementation.

8. Electronic banking has been adopted to some extent which undoubtedly increased the convenience of having the bank customer's accounts electronically 24*7. However the branch will remain the major distribution channel; online banking will only support the branches to deliver their products and services. In addition it is reasonable to expect that considerable

time will be required before the use of the Internet banking reaches the usage levels of ATMs.

6.2.2 E- Service Attributes and Communication Effectiveness

It is common knowledge that electronic banking services reduce the physical distance and location to the bank. It is also common knowledge that from consumers' perspective electronic banking increased the convenience of banking services. Nevertheless the branch will remain the principal distribution channel, electronic channels will not succeed in replacing the branch as the main distribution route of the banks, but will merely support the branches by relieving them of transaction processing tasks and distributing simple products and information. Results reveal several major outcomes. ATMs are the most used banking channel and cash withdrawal/deposit the most used service. Second; bank customers may be unwilling to change the current ways of transacting their banking businesses and therefore stick to their old habits due to the complexity of online banking system and other consideration.

As postulated by A. De Angel, et al.,² Indian customers have been exposed directly to advanced interaction techniques, both in terms of the number of services available and the complexity of the interface. Indian ATMs offer a broad range of services, much larger than that currently provided, for instance, in the UK. The

generalised low exposure to other types of technology also increased the difficulty of the interaction, hampering the transfer of mental models across different technology channels. Thus we concluded that, if the technology is easy to use, more people are likely to adopt its use without a proper knowledge of IT- based service, consumers are not interested to use and adopt e-banking.

To solve this issue, the researcher's findings can be useful to bank management in terms of undertaking the negative views of customers attached to electronic

banking services as well as providing educational training for both the bank officials and the bank customers. Adjust training for the staff to meet increasing complexity of bank activities, also providing training sessions for customer in banks premises' could help banks to meet customer technology illiteracy, and further to increase awareness of its implication on the country. Once customers are induced about various advantages of e-banking they will move ahead to the virtual bank system gradually. Third; customers are fearful of the possibility of making errors while using the e-banking, as assumed by Ezeoha, (2005)³ and from our findings bank customers are filled with fears of using electronic banking because the key ingredients of security measures such as confidentiality, reliability, and integrity are missing.

Therefore the feeling of some bank customers not knowing how to use the electronic banking services are fearful of the possibility of making errors while using the banking services. In addition to not having the knowledge to use the electronic banking services, the bank customers are reluctant to utilize the electronic banking services. Eliminating these beliefs or fair which have discouraged and in most cases, have limited the use of internet banking will help banks to encourage their customers using internet banking to make payments instead of cash.

6.2.3 SATISFACTION DRIVERS

The present study found that the influence of customer satisfaction is obvious through the information technology. And changes in customer satisfaction accordingly impact the financial performance of the organization. This study attempted to shed light on benefits of e-banking both with the organization and the bank customers who are getting benefited with internet banking in relation to the e-banking environment. Particularly, the purpose of our research was to gain a better understanding of the benefits of e-banking to customers and organization in banking industry. Therefore data that is collected for this research by mean of questionnaire



form both sides 'banks' managers and their customers in order to get a good quality of data. The researcher believes that the empirical data should be collected from banks management perspective as well as customers' perspective to get better understanding of the role of e-banking to enhance customer service and further increased customer satisfaction.

As customers and their retention leads to monetary benefits for businesses. Previous studies indicate that customer retention is a more cost-effective way to grow a business than attracting new customers (Page, et al., 1996)⁴. Thus IS professionals need to maintain a strong relationship between end – users and IS department. To achieve such relationship, IS professionals must build a system that enhances trust and commitment in the end users. While speed is one of the concerns of the users, other important factors are the ease of acquiring needed information and the organisation of the information on the site itself. Thus IS professionals should strike a balance between attractiveness and speed.

Although Indian banks are adopting e-banking to some extent in order to communicate with their customers, this mainly due to the security and privacy concerns. Analysis concluded that ease of use of online banking system and complexity related to it are the main factors to accept online banking system, these factors have a strong impact on customers to accept online banking system. And secondly convincing their customers to use and adopt the online banking facilities was found to be a hard task initially.

6.3 CONCLUSIONS

From the above finding we conclude that

1. It was evident through the survey that self-service technologies have altered the relationship between the service provider and customer, but IB does not remove all face-to-face contact with the bank.

2. E-banking enables banks to maintain a good relationship with their customers. We found that, banks who have implemented e- banking have successfully maintained good relationships with their customer by providing IT-based products and service according to the needs of their customer.
3. Banks still facing some difficulties in convincing their customers to adopt and use the online banking facilities.
4. Customers need time to realize and understand the importance and beneficiary of e- banking.
5. Customers perceived convenience factor as a vital benefit provided by adoption of e-banking.
6. Ease of use of online banking system and complexity related to it are the main perusing factors to accept online banking. These factors have a strong impact on customers to accept online banking system or reluctant to utilize e-banking services.
7. Ease of use had a significant impact *on continued usage* of internet banking.
8. Negative perception of the technology was found where the respondents did not find the system useful or easy to use.

6.4 RECOMMENDATIONS TO THE INDIAN BANKS

Based on the findings, the researcher recommends that;

1. Indian Banks should continuously invest in the area of IT in order to improve their competitive positions domestically and globally. Banks have to keep up with this pace to stay competitive in the globalization era.
2. Indian banks must be prepared to meet global market demands and electronic financial competition. It is important that all banks continue to adopt and

improve their information technology and electronic banking services, since Indian banks planning to enter global banking market and to formulate further IT planning and competitive strategy.

3. Banks in India need to be able to compete profitably in emerging markets. Therefore banks providing online services must be aware of the benefits and challenges of trading electronically. As mentioned by Ukai, (2005)⁵ planning the application of technological progress to business is a permanent and ongoing subject. The Internet banking and mobile banking are presently in the spotlight as new channels, while the age of broadband will see further development in this area.
4. Banks in India should cooperate more with each other, especially in the area of IT implementation and investments.
5. Banks should found ways to work jointly, without collaboration in IT investments global competition would not have been easy.
6. Information technology in banking should be focused more on deposit and withdrawal to avoid unnecessarily long queues. IT should therefore be designed to ease and streamline the processes for cash deposit and withdrawals which directly impact on customer services.
7. Banks have to pay serious attention to customer behavioral and adoption towards IT-based products and services to increase IT awareness among citizen and e-banking utilization. Banks should ensure that customers have utilized the full or at least a sizable proportion of IT benefits.
8. It is important that banks management develop strategies to ensure that customers use these services and remove any worries about security concerns.
9. Eliminating beliefs or fair of the possibility of making errors while using the banking services which have discouraged and in most cases, have limited the

use of internet banking will help banks to encourage their customers using internet banking to make payments instead of cash.

10. A useful starting point in attempting to resolve these issues is to obtain customer willingness towards new and emerging technology-based delivery channels.
11. In targetting these non-users banks must create an environment of fulfilment and remove any fears about security concerns. Organising training sessions, and instilling confidence in security-related issues may lead to better results in improving the usage of online banking.
12. Customers can be retained by the banks only when the bank has a good and deeper understanding of the customer's needs. Thus it is always recommended to the banks to stay one step ahead to the needs of the customers.
13. Banks must have an idea about what is going to happen in future, according to that they can plan their services, since customer's needs keep on rising.
14. To meet the developing in the area of information technology employees need to be constantly re-trained. Providing educational training for both the bank officials and the bank customers is necessary to increase IT awareness and its implication in the future, in terms of undertaking the negative views attached to electronic banking services.
15. Deployed training sessions at the bank premises by the appointed officers will provide a solution to this Mental Block.

Bank-customer win-win
proposed Model

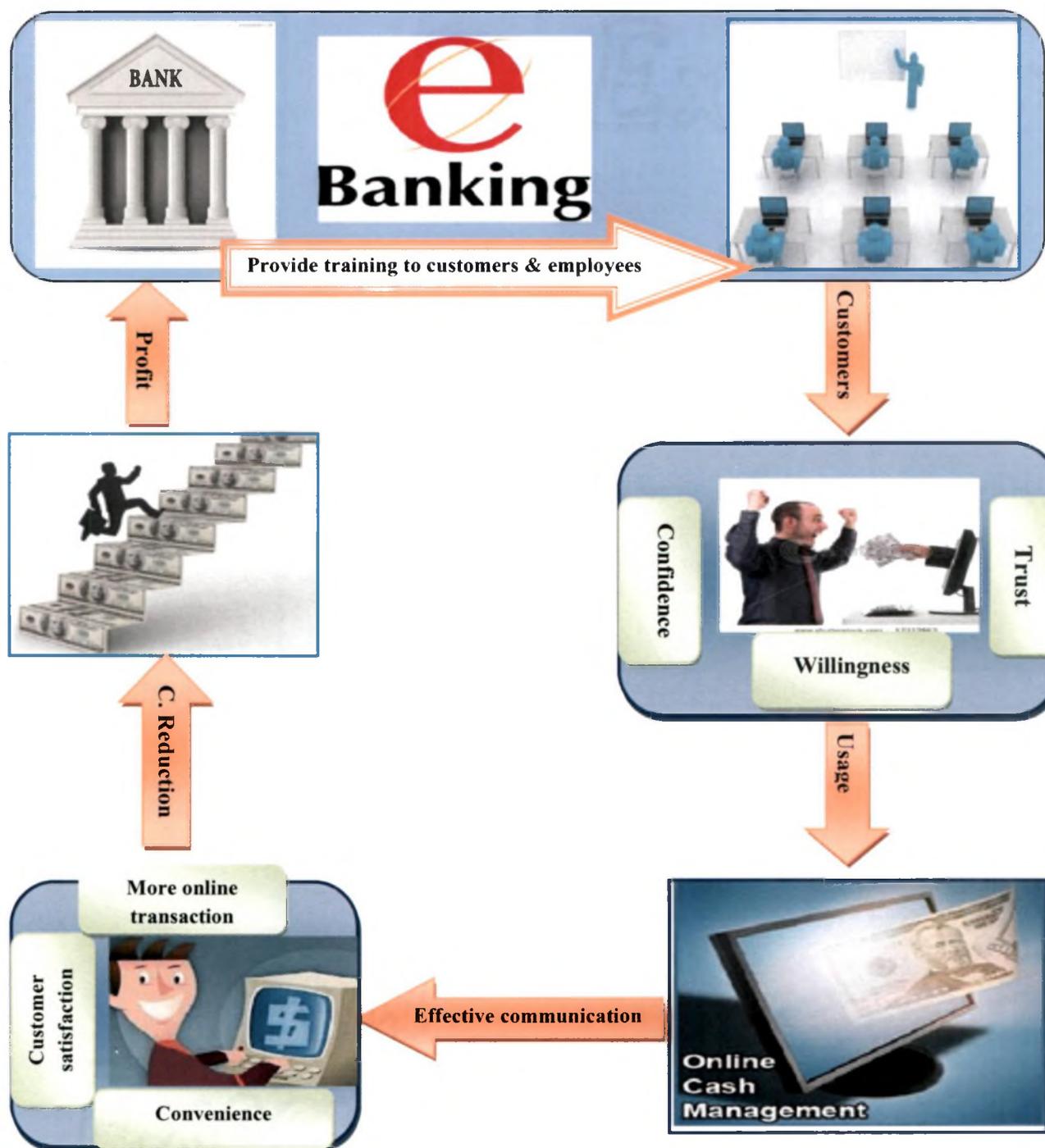


Fig: 6.1 The Relation between training and internet banking usage

6.5 LIMITATIONS

Data collection in banks was very challenging because of the legal requirements forbidding banks from sharing information. However researcher was confronted with several challenges when undertaking surveys in banking especially in undertaking primary data collection. Under the pretext of having no interest in such a topic many people refused to participate to this research such situations are difficult to avoid.

This research study has been conducted in Pune and the resultant findings may differ or may not show the exact results in other areas of the country. Small sample is one of the limitations of the study due to confidentiality and some other considerations.

The study is concentrated on a particular location at one point in time and hence the result may vary with location and was therefore limited for broad generalizations. In order to generalize the results, further studies are needed in different contexts and settings. Results of the study may have been influenced by a larger number of respondents. However, while the study provides preliminary results, these results provide a foundation for future studies for electronic banking adoption in Pune. In future, the research can be conducted by taking a large sample to facilitate a sufficient and strong examination of e-banking adoption. A second limitation refers to people's reluctance and refusal to answer to the questionnaire. Such situations are difficult or even impossible to avoid, the study was limited to participants who agreed to take the survey voluntarily. Conducting the survey was dependent on the participant's willingness to take the time to complete the survey questions. Thus the second limitations related to the survey were depending on availability of the participants to take the survey and the amount of time available to conduct the survey. In addition the accuracy of the responses was dependent on the honesty and attitude of the participants completing the survey.

6.6 FUTHER RESEARCH

In any cases, the ultimate goal of IT investment is to maximiz market share through improvement of technical efficiency in order to enhance firm's effectiveness, cost reduction and profitability. consequently, it is important to investigate how IT investment and the lag effect of IT investments are linked to profit of a firm in future research. Further studies should be conducted within a larger sample set including diverse financial industries, Such as insurance companies. It might be important to concentrate to examine the internet, or other info-tech in diverse financial industries. A large sample would provide more information to increase the capability for explanation and generalization.

Previous studies indicate that a typical user of Internet banking is a relatively wealthy person with good education. However, this is one area that definitely requires further research in order to identify the different consumer segments and their personal characteristics. As postulated by De Angile, & et al., ⁶ technologies is perceived, as an elitist resource, even when it does not have any direct cost to the consumers as in the case of ATMs, thus further research would be useful for banks management to examine the relationship among technology adoption and different classes citizens in India.

PC banking, mobile banking and E-cash are the popular electronic commercial issues which might be subjects for useful further studies in the financial industry. It is worthy to mention that comparative studies focusing on differences in adoption processes between different forms of e-banking channels will be an enriching direction for this work.

Finally, many variables likely to affect customer satisfaction were not considered in this study. These variables include individual differences of the customers (e.g. age, gender, education, occupation and race); Inclusion of these variables may have changed the outcome of the analysis. Also another attempt can be

done to find out the extent to which the sex, age, education as well as geographical locations of customers influenced their attentions towards IT-based service in financial institutions.

REFERENCES:

1. Robson, W. , “Strategic Management and Information Systems”, 2nd Ed. (Prentice Hall, London, England 1997).
2. Antonella, De Angeli, Athavankar, Joshi, Coventry, and, Johnson,, “Introducing ATMs in India: A Contextual Inquiry” (NCR Financial Solutions Division, Advanced Technology and Research,& Industrial Design Center, IIT Bombay), available at <http://dspace.library.iitb.ac.in/jspui/bitstream/10054/1342/1/5644.pdf>
3. Ezeoha, A. E., “Regulating Internet banking in Nigeria: Problems and challenges - Part 1”, Journal of Internet Banking and Commerce 2005. An open access journal, Vol. 10 No.3.
4. Page, Mike, leyland pitt and pierre Berthon “Analyzing and Reducing customer Defections,” long range planning, December 1996, Vol. 29, No.6, pp.821-834.
5. Yasuharu, Ukai (ed.), “Economic Analysis of Information System Investment in Banking Industry” (Springer Publications: Tokyo, 2005).
6. Antonella De Angeli, et al., No.2