Customers Preferred Channel and Public Sector Banks Self-Service Technologies

Tarannum Mohan

Assistant Professor,

Punjabi University Regional Centre for Information Technology & Management,

Mohali

_____

Abstract

Self-service technologies enable customers to perform faster transactions and quicker delivery of service. This study examines customers' preference for banks delivery channels. The channels taken in the study are branch banking, ATM, Mobile banking and Internet banking. Customers' demographics profile was also taken into account. Previous literature reveals that Private sector banks had been quick to start technology-enabled services forcing public sector banks to adopt. Therefore, there is a need to see how public sector banking are doing in terms of these channel. The channels were rated on six demographic variables. The study revealed that ATM is most preferred channel in Public sector banks.

Keywords: e-banking, self-service technology, banking, ATM, Internet banking, Mobile banking.

Introduction

Globalization and deregulations put the pressure on banks to be more competitive. Banks were forced to be more customer-centric and look for ways to retain them. As private banks started with electronic banking, Public banks had no choice but to catch up. Not only were these channels of distribution cost-effective for the banks, bringing down the cost and effort to set up infrastructure for banks and manpower, they were also beneficial for the banks. In this firefight situation, Public banks had to roll out self-service technologies like ATM. Gradually, even mobile and Internet banking were started.

Now, as both Private and Public sector banks compete on all the key delivery channels. It becomes imperative to see customers' response to these channels especially in case of Public sector banks. It is important to know customers preference towards these channels. Also, existing literature available on technology in banks suggests that there despite been useful, there are a lot of risks associated with these services. Like the risk of sharing information, threats to your privacy, chances of frauds, security and trust issues with the banks. These are some major concerns especially in case of Internet banking (Damien &Matthew, 2003;M. Sathye 1999;

Lichtenstein, S. & K. Williamson, 2006; White, H. and Nteli, F., 2004). Besides, the literature also reflects that demographics plays important role in the adoption of self-service banking channels. (Lichtenstein, S. & K. Williamson, 2006; Kolodinsky, J.M., Hogarth, J.M. &Hilgert, M.A., 2004). Therefore, this study makes an attempt to understand customers' preferences for these channels in public sector banks.

LITERATURE REVIEW

J.B.Howcroft (1993) examines the survival of the bank branches after the adoption of self-service technologies. Banks have been strategically reviewing it's concern about what it needs to do with its branches. However, the results of the study show that the branches are branches are profit making and market centric.

OngHway-Boon & Cheng Ming Yu (2003) suggest that for effective execution of electronic channels a thorough understanding of the costs involved in these channels is required. The study focused on e-banking in Malaysia. A survey was conducted to understand effective implementation of electronic channels.

TommiLaukkanen (2007) in his study measured the utility customer attaches to the channel attributes in order to know their preferences. The results revealed that no two customers are looking for same needs from a service. Customers are using e-banking for different needs.

Kaleem& Ahmad (2008) suggest that it is necessary to take employees take on electronic banking first before reaching out to the customer. The study revealed that bank employees found these services as cost-effective, time saving and reduce the efforts required to perform the transaction. However, the study does suggest that there are a lot of risks associated with these services. Risks like sharing information with government. These services are also prone to lot of frauds as security is a major concern.

RESEARCH FRAMEWORK

After taking expert inputs from banking officials and academicians, a structured questionnaire was developed. A pilot test was done on target customers of Public sector banks. Customers' preferences for banking channels were evaluated on 5 point Likert scale. Bank walk-ins were approached for the survey. This intercept technique thorough understanding of customers' preferences, customers feedback was also taken at the time of filling up of the survey. In order to have a representative sample, age, income, education, occupation, marital status and gender

were taken into consideration. A total of 300 customers were selected from the most popular public banks based on the number of customer accounts they holding.

RESULTS

Public Sector Banks

Age

The distribution of respondents in different age groups according to their first preference for different banking technologies has been shown in Table 1.

Table 1: First preference of respondents for various banking technologies

in relation to age

Age (years)	Branch Banking		ATM banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
Below 30	3	4.05	69	93.24	0	0.00	2	2.70	74
30-40	13	11.50	97	85.84	0	0.00	3	2.65	113
40-50	13	17.11	61	80.26	1	1.32	1	1.32	76
Above 50	4	10.81	32	86.49	0	0.00	1	2.70	37

Out of total 74 respondents in the age group of below 30 years, the highest proportion i.e. 93.24 percent preferred ATM banking, followed by 4.05 percent for Branch banking and 2.70 for internet banking. No respondent from the age group of below 30 year, preferred mobile banking. Out of total 133 respondents in the age group of 30-40 years, the highest proportion i.e. 85.84 percent had ATM banking as their first preference, followed by 11.50 percent for Branch banking and 2.65 for Internet banking. No respondent from the age group of below 30 year preferred mobile banking.

Out of total 76 respondents in the age group of 40-50 years, the highest proportion i.e.. 80.26 percent had ATM banking as their first preference, followed by 17.11 percent for Branch banking and 1.32 percent for both mobile and Internet banking. Out of total 37 respondents in the age group of above 50 years, the highest proportion i.e. 86.49 percent had ATM banking as their first preference, followed by 10.81 percent for Branch banking and 2.70 for Internet banking. No respondent from the age group of above 50 year preferred mobile banking.

Gender

The distribution of respondents in different gender according to their first preference for different banking technologies has been shown in Table 2.

Table 2: First preference of respondents for various banking technologies in relation to gender

Gender	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
Male	19	10.00	165	86.84	12	6.32	5	2.63	190
Female	14	12.73	94	85.45	7	6.36	2	1.82	110

Out of total 190 male respondents, the highest proportion i.e. 86.84 percent preferred ATM, followed by 10.00 percent preferred branch banking. Mobile banking was preferred by 6.32 percent respondent, followed by 2.63 percent preferred internet banking Similarly, out of total 110 female respondents, the highest proportion i.e. 85.45 percent preferred ATM, followed by 12.73 percent preferred branch banking. Mobile banking was preferred by6.36 percent respondents, followed by 1.82 percent preferred Internet banking.

Marital Status

The distribution of respondents in different marital status according to their first preference for different banking technologies has been shown in Table 3.

Out of total 178 married respondents, the highest proportion i.e. 84.27 percent preferred ATM banking, followed by 12.36 percent branch banking. Internet banking was preferred by 2.81 percent respondents and 0.56 percent respondents preferred mobile banking. Similarly, out of total 112 unmarried respondents, the highest proportion i.e. 89.29 percent preferred ATM banking, followed by 8.93 percent branch banking. Internet banking was preferred by 1.79 percent respondents. No respondent in this group preferred mobile banking. Following the same pattern, out of total 10 divorced respondents, the highest proportion i.e. 90 percent preferred ATM banking and 10.00 percent preferred branch banking. No respondent in this group preferred Internet and mobile banking.

Table 3: First preference of respondents for various banking technologies

in relation to marital status

Marital Status	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
Married	22	12.36	150	84.27	1	0.56	5	2.81	178
Unmarried	10	8.93	100	89.29	0	0.00	2	1.79	112
Divorced	1	10.00	9	90.00	0	0.00	0	0.00	10

Education

The distribution of respondents in different educational groups according to their first preference for different banking technologies has been shown in Table 4

The highest proportion i.e. 85.90 percent of matriculate/10+2 pass respondents preferred ATM banking, followed by 11.54 percent branch banking and 2.56 percent internet banking. No respondent in this group preferred mobile banking. Similarly, the highest proportion i.e.85.88 percent of graduate customers preferred ATM banking, followed by 11.18 percent branch banking and 2.94 percent internet banking. No respondent in this group preferred mobile banking.

Out of total 30postgraduate customers, the highest proportion i.e. 90.00 percent preferred ATM banking, followed by 6.67 percent branch banking and 3.33 percent mobile banking. No respondent in this group preferred Internet banking. Similarly, out of total 22customers having professional degree, the highest proportion i.e. 86.36 percent preferred ATM banking, followed by 13.64 percent branch banking. No respondent in this group preferred mobile and Internet banking. Therefore, first preference of customers for different delivery channels was found to be independent of the educational level.

Table 4: First preference of respondents for various banking technologies

in relation to education

Education	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
Matric/10+2	9	11.54	67	85.90	0	0.00	2	2.56	78
Graduation	19	11.18	146	85.88	0	0.00	5	2.94	170
Postgraduation	2	6.67	27	90.00	1	3.33	0	0.00	30
Professional	3	13.64	19	86.36	0	0.00	0	0.00	22

Occupation

The distribution of respondents in different occupational groups according to their first preference for different banking technologies has been shown in Table 5.

Out of total 74 self-employed/businessmen customers, the highest proportion i.e. 81.08 percent preferred ATM banking, while 17.57 percent preferred branch banking. Internet banking was preferred by 1.35 percent respondents. No respondent in this group preferred mobile banking. Similarly, out of total 110 customers doing some sort of government or private sector service, the highest proportion i.e. 87.27 percent preferred ATM banking, while 7.27 percent preferred branch banking. Internet banking was preferred by 4.55 while 0.91 percent preferred mobile banking, followed by 4.55 percent preferred Internet banking.

Table 5: First preference of respondents for various banking technologies

in relation to occupation

Occupation	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
Self-employed/business	13	17.57	60	81.08	0	0.00	1	1.35	74

Service	8	7.27	96	87.27	1	0.91	5	4.55	110
Academician/Students	4	6.90	53	91.38	0	0.00	1	1.72	58
Homemaker	6	13.64	38	86.36	0	0.00	0	0.00	44
Others	2	14.29	12	85.71	0	0.00	0	0.00	14

The highest proportion i.e. 58 , 91.38 percent of academic and student customers preferred ATM banking, while 6.90 percent preferred branch banking. Internet banking was preferred y 1.72 per cent respondents. No respondent in this group preferred mobile banking. Similarly, out of total 44 homemaker respondents, the highest proportion i.e. 86.36 percent preferred ATM banking, while 13.64 percent preferred branch banking. No respondent in this group preferred mobile and internet banking. Similar pattern of preference could be observed in other occupations. The highest proportion i.e. 85.71 percent of them preferred ATM banking, while 14.29 percent preferred branch banking. No respondent in this group preferred mobile and internet banking.

Therefore, first preference of customers for different delivery channels was again found to be independent of their occupation. ATM emerged as the first preference of customers.

Income

The distribution of respondents in different income groups according to their first preference for different banking technologies has been shown in Table 6.

It can be seen from the Table that out of total 78 respondents having an income of Rs. Below 25000, the highest proportion i.e. 80.77 percent preferred ATM banking, followed by 15.38 percent followed branch banking, 3.85 percent internet banking. No respondent in this group preferred mobile banking. Similarly, out of total 164 respondents with an income of Rs. 25000 to Rs. 50000, the highest proportion i.e. 89.63 percent preferred ATM banking, followed by 7.93 percent followed branch banking. Internet banking was preferred by 1.83 per cent while 0.61 percent preferred mobile banking.

Table 6: First preference of respondents for various banking technologies

in relation to income

Income	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%age	No.	%age	No.	%age	No.	%age	
<25000	12	15.38	63	80.77	0	0.00	3	3.85	78
25000-50000	13	7.93	147	89.63	1	0.61	3	1.83	164
50000-75000	5	10.87	40	86.96	0	0.00	1	2.17	46
>=75000	8	66.67	9	75.00	0	0.00	0	0.00	12

Out of total 46 respondents having an income of Rs. 50000 to Rs. 75000, the highest proportion i.e. 86.96 percent preferred ATM banking, followed by 10.87 percent followed branch banking, 2.17 percent internet banking. No respondent in this group preferred mobile banking. Similarly, out of total 12 respondents with an income of above Rs. 75000, as high as 75.00 percent preferred ATM banking, followed by 66.67 percent preferred branch banking. No respondent in this group preferred mobile and internet banking. Thus, the first preference of customers for different delivery channels has nothing to do with their income.

CONCLUSION

The study revealed that ATM emerged as the first preference in all the age groups. Therefore, age has nothing to do with the preference of customers for different banking delivery channels. The study shows that gender had no impact on first preference of customers for different delivery channels. Also, first preference of customers for different delivery channels was independent of their marital status and occupation. Overall, it is clear from the analysis that in public sector banks, the customers preferred ATM banking as their first preference irrespective of their personal profile.

REFERENCES

Damien Hutchinson and Matthew Warren (2003). Security for Internet banking: a framework. *Logistics Information Management*,16(1), 64-73.

J.B. Howcroft (1993). Branch Networks and Alternative Distribution Channels: Threats and Opportunities.*International Journal of Bank Marketing*. 11(6), 26-31.

Kaleem, A and Ahmad, S. (2008). Bankers' Perceptions of Electronic Banking in Pakistan. *Journal of Internet Banking and Commerce*, 13(1).http://www.arraydev.com/commerce/jibc/

Kolodinsky, J.M, Hogarth J.M and Hilgert, M.A. (2004). The adoption of electronic banking technologies by US consumers. *The International Journal of Bank Marketing*. 22(4), 238-45.

Lichtenstein, S. and K. Williamson (2006). Understanding Consumer Adoption of Internet Banking: An Interpretive Study in the Australian Banking Context.*Journal of Electronic Commerce Research*, 7(2): 50-66, 2006.

MilindSathye (1999). Adoption of Internet banking by Australian consumers: an empirical investigation. *International Journal of Bank Marketing*, 17 (7), 324-334.

OngHway-Boon and Cheng Ming Yu(2003). Success factors in e-channels: the Malaysian banking scenario. *International Journal of Bank Marketing* 21(/6/7). 369-377

TommiLaukkanen (2007). Customer preferred channel attributes in multi- channel electronic banking. *International Journal of Retail & Distribution Management*, 35(5), 393-412.

White, H. and Nteli, F. (2004). Internet banking in the UK: why are there not more customers?. *Journal of Financial Services Marketing*. 9(1).49-56.