

Banking Technology and Service Quality in Public Sector Banks of Tamilnadu: An Assessment

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Abstract

The banking sector in India is confronting testing times. With the appearance of globalization, privatization advancement in India, the banks are currently zeroing in on expense decrease, imaginative items and innovation. The financial business is relied upon to be a main part in e-business. While the banks in created nations are working fundamentally by means of web as non branch banks, banks in the agricultural nations use web as a data conveyance device to improve relationship with clients. Client assistance in banks is being discussed all over the place. In different discussions, in the press and in discussions, client care is in the information. Client care's in banks is a precise idea. With the opposition in banks getting wild, it is normal for banks to see with each other to prevail upon clients. In a serious climate, winning new client, yet additionally holding the current client base accepts more noteworthy significance. Despite the fact that in the eighties Transaction Banking was the thing to get done. A fruitful bank of things to come will be the one that dominates in client care and suppliers them a scope of administration and does proceeds with practice in improving its capability to work well for. Accordingly, this paper endeavors to dissect the effect of new banking technology on quality service in public sector banks in Chennai city.

Key words: banking service, service quality, public sector bank, perception

1.1 Introduction

The banking sector in India is confronting testing times. With the coming of globalization, privatization advancement in India, the banks are presently zeroing in on expense decrease, inventive items and innovation. The financial business is relied upon to be a main part in e-business. While the banks in created nations are working fundamentally through web as non branch banks, banks in the non-industrial nations use web as a data conveyance instrument to improve relationship with clients. Client assistance in banks is being discussed all over the place. In different discussions, in the press and in discussions, client support is in the information. Client care's in banks is an efficient idea. With the opposition in banks getting wild, it is normal for banks to see with each other to prevail upon clients. In a serious climate,

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winning new client, yet additionally holding he existing client base expects more prominent significance. Despite the fact that in the eighties Transaction Banking was the thing to address. Relationship Banking has recovered its noticeable quality by and by, with numerous banks the world over reinforcing this idea. Studies show that it is substantially more productive and financially savvy holding clients as opposed to getting new clients. A fruitful bank of things to come will be the one that dominates in client support and suppliers them a scope of administration and item and does proceeds with practice in improving its capability to work well for.

1.1.1 Service Scenario upto the 1980s and 1990's

For over two many years, the Government, the Reserve Bank of India and the banks were genuinely worried about the norm of client support in banks. A few examinations were organized and procedures developed to improve client care, as ahead of schedule as in 1972, the Banking Commission selected by the Government of India under the Chairmanship of Shri. R.G. Saraiya, had made a few suggestions on client support. In the year 1975, the Government delegated a Working Group on client support in banks under the Chairmanship of Shri R.K.Talwar. This Working Group made 176 proposals covering all the significant zones identifying with client care other than some broad suggestions. During the eighties, more prominent significance was given to the redressal of complaints of customers². The Government and the RBI, to change the complaints made a few strides, for example, setting up of Customer Service Committees, Customer Service Centers in Various urban areas, Directorate of Public Grievances under the Cabinet Secretariat, and so on, as additionally in the recognition of Customer Day. The year 1986 was explained by open area Banks as Customer administration year. In 1988 saw further improvement in client care with the usage of the suggestions of the Estimate Committee.

During 1990-91 two Committees, viz Narasimham Committee and the Goiporia Committee looked introduction different issues identifying with working of public area banks and client assistance. The suggestions of the Narasimham Committee had a lot more noteworthy effect on the monetary strength, productivity, and business character and working of Indian banks, though, the proposals of the Goiporia Committee zeroed in on improving the client assistance in banks. From numerous points of view the suggestions of the Goiporia Committee supplement the endeavors of the Narasimham Committee. Both these Committees have together tended to different issues having an orientation on client discernment and client satisfaction³. The main significant advancement during this period is the passage of new parts on the lookout. The new variety of private area and unfamiliar banks has entered the market, with branches set up generally in metropolitan urban areas and significant towns. The vibe and a degree of administration that is far unique in relation to those of a normal public area bank office. Their accentuation on the satiate of craftsmanship innovation, banking accommodation and staff responsiveness has made them stand apart as models deserving of copying. Because of this the client today has a lot more extensive decision of banking establishments to look over.

Another significant improvement during this period identifies with the advancement of branch authorizing strategy. Banks were urged to fall a market division approach and build up specific branches, for example, NRI branch, SSI branch, if branches, AF branch, and so on, this period likewise saw the start of another time of value rivalry. There is a grater level of opportunity accessible to the banks in evaluating their items and administration and it is by and large accepted that any much value rivalry would help give the advantages of effectiveness to the client. In an offer to offer more prominent benefit for cash, numerous banks are adding new highlights to their plans and administrations, tenderizing more noteworthy adaptability and operational accommodation. Another significant advancement is in the region of

computerization and innovation upgradation. The noteworthy arrangement endorsed between the IBA and bank worker's guilds has opened up gigantic chances as far as making Indian banking mechanically advanced³. The advantages of such innovation upgradation are accessible to bank client in various manners, for example, Computerized banking climate, Speedier exchanges, and exact proclamations, ATMs offering 24 hours banking, Telephoning, Anywhere whenever banking, Customers terminals, etc.

1.1.2 Challenges of the Future

The Talwar Committee put is suitably when it said that the primary reason for banking is to make and convey client required administrations in a client fulfilling way. Thus, there are two components of the financial help viz., creation and conveyance of administration. All the measures referenced before can vouch for a bank's accomplishment in making client required assistance, however we need to go far in conveying them in a client fulfilling way. Focussing our consideration on the accompanying angles, viz., Technology Product Diversification and advancement can accomplish this.

Mechanical Factors: The unfamiliar banks and the private area banks having an away from favorable position and economies of scale directly from the very beginning are representing a considerable test to the public area banks. These new banks are focusing on the cream of business through sophisticates benefits and improved offices. As rivalry acquires further force in a liberated loan fee system, banks should work inside the ambit of a declining spread. Under such conditions, reengineering of business through complex innovation based administrations, won't just prompt business creation, however will likewise assist with chopping down the operational consumption and upgrade productivity of tasks, installments framework, move of assets and different housekeeping capacities. Simultaneously, innovation can never again is considered as a private cabin cost thing, however it ought to be viewed as a serious resource. In the coming days, innovation should turn into the all unavoidable impetus in issues of item enhancement quick exchange of assets component, client well disposed installment framework and proficient housekeeping capacities.

The coming of a credit only economy has made it basic for banks. It abroad to present a large group of data tech based item. In particular shrewd and overly brilliant cards, charge cards, the electronic satchel, hey tech money allocators, shared organization of ATMs and so on, These have offered ascend to the idea of anyplace whenever banking that have an obvious client center related with them. The more limited item life cycle data innovation and PC based administrations. The business needs to take awareness of the improvement data innovation and apply them not as an impulse, but rather as a powerful showcasing weapon.

Product Diversification and Innovation: With regards to the market real factors, it is practically sure that the scope of items and administrations will expand significantly in the coming years. As the existence cycle hypothesis proposes, numerous new items, which have gotten mainstream abroad, will before long show up in the Indian monetary market. To give some examples, ideas like monetary subsidiaries, resource securitization, prospects, and choices, custodial administrations, purchased out arrangement make certain to acquire notoriety. These could be the regions wherein banks should focus more to compensate for the lost ground in customary business. Rivalry innately calls for specialization of tasks and banks, to remain above water in the serious climate, should take plan of action to expanding specialization and ability upgradation. Specialization should be considered for undertaking agrarian consultancy administrations, partnered exercises, investment financing, modern financing and so on, Market division will again be the vital foundation on which business possibilities should be re-imagined. In any case, simultaneously, it ought to be guaranteed that the social contemplations and obligations are not weakened to advance business. Or maybe,

solid and viable apparatus ought to be developed to profitably channel assets towards financial needs, imagined at the hour of nationalization.

Office Atmosphere and People: Client care and client concern gets undeniably more significant. The staff when all is said in done, and those at the counters specifically, ought to be made to understand that the establishment of PCs and different machines in any case, it is they who have a significant effect regarding accomplishing consumer loyalty. Branch directors should make it a highlight invest more energy with clients to comprehend their requirements and desires and check out gathering them. Our emphasis ought to be on: Redeploy individuals delivered because of computerization for client contact and relationship support; Greater preparing and upgradation of abilities; Trade associations should move away from their customary jobs and achieve another client agreeable work culture in banks; and Comprehensive and more regular investigations both at the bank level and the business level to evaluate client assumptions and administration related discernments. Customer care and customer concern becomes far more important. The staff in general, and those at the counters in particular, should be made to realize that the installation of computers and other machines notwithstanding, it is they who make a major difference in terms of achieving customer satisfaction. Branch managers should make it a point to spend more time with customers to understand their needs and aspirations and take genuine interest in meeting them. Our focus should be on: Redeploy people released as a result of computerization for customer contact and relationship maintenance; Greater training and upgradation of skills; Trade unions should move away from their traditional roles and bring about a new customer friendly work culture in banks; and Comprehensive and more frequent studies both at the bank level and the industry level to assess customer expectations and service related perceptions.

The fruitful association is more viable at understanding the clients and winning new ones. Client's case is something a client is qualified for. It is presently broadly perceived that if the client is disappointed, the association has no business to exit. Further, contemplates have uncovered that it is less expensive to hold the current client than looking for another one. It is additionally obvious that it is extremely testing to hold the current client than looking for another one.

Service Quality: Quality is a subject that can be seen from any unique point. Over all it is direction for offering significant level types of assistance. Via looking for the vital components in the term quality should update the degree of his administrations "Quality can be characterized basically as the degree wherein the assumption for clients is met with respect to support advertised. Quality is abstract. Quality in assistance enterprises has included into two particular yet related fields. The first is administration quality and the second is administration greatness. These two fields are connected as much as the manner in which showcasing is identified with deals or bookkeeping is identified with money. Similarly as a deal improves with great advertising and money gets conceivable through a bookkeeping, consumer loyalty improves when greatness discovers its underlying foundations addressing client needs. These two field cover in a few regions including tuning in to the client, dealing with objections and keeps up benevolent assistance. Anyway the manner in which each field address business client communications is particularly unique. Quality assistance implies conveying of guarantee through the plan and execution of repeatable activity.

The way to accomplishing administration quality is adjusting to norms. Administration greatness, then again addresses to the deformities in the current construction. Banking associations are basically human undertakings and client support has consequently, to be fundamentally dealt with through the people working in banks. This must be vault by guaranteeing that the workers secure capacities that add to powerful client support, build up the ideal demeanor towards clients and are roused to support the client better. Representatives of

banks ought to have away from of different plans of the banks. They ought to have the option to comprehend the client necessities, recommend plans and selection of new financial innovation to address the issues of the client. Accordingly, this paper assesses the banking technology and service quality in public sector banks in tamilnadu.

1.2 Research methods

This study involves collection and analysis of primary data. The primary data relating to new banking technology parameters were collected from the selected customers of public sector banks viz IOB, SBI, Indian Bank, and PNB in Chennai City through well structured questionnaires. A Sample of 60 customers from various selected public sector banks in Chennai city has been selected in Random. This study has been selected following new banking technology parameters viz., Net Banking, Tele Banking, Web banking, Mobile banking, ATMs smart, credit and debit cards, Phone Banking, ATM and Electronic Funds Transfers, FOREX Remittances, Electronic Clearing Service, E-Finance, ATM and Bill Payments. Most of questions were designed having a 5-point scale excellent (5), very good (4), good (3), satisfactory (2) and poor (1). The customer's responses to various elements under each question are totaled. This total is multiplied by the grades and divided by 60 samples customers and score were calculated. The collected data are tabulated and analysed using Multiple Log Linear Regression Model to find out the results.

1.3 Results and Discussions

A successful bank of the future will be the one that excels in customer service and provides them a range of service and product and does continues exercise in improving its potential to serve well. The Talwar Committee put is very aptly when it said that the main purpose of banking is to create and deliver customer needed services in a customer-satisfying manner. Hence, there are two elements of the banking service viz., creation and delivery of service. All the measures mentioned earlier can vouch for a bank's success in creating customer needed service, but we have to go a long way in delivering them in a customer-satisfying manner. Focusing our attention on the following aspects, viz., Technology Product Diversification and innovation can achieve this. Indian economy is expected to post a growth of around 7 to 8percent in 2006-2007, sustaining the momentum of 2007-2008. Prospects of good performance under agriculture appear bright, with the prediction of normal monsoon. While industry is likely to grow by about 7 per cent service sector may expand by 8 per cent. Economic activity may be accelerated by greater investment by the Government and the private sector. The Government has already proposed creation of a fund for promoting investment in infrastructure in rural and urban areas for facilitating growth in agriculture and industry including small industry. Banks are to play a positive role in sustaining economic growth through the provision of requisite finance.

Therefore, this study selected the new banking technology parameters viz., Net Banking, Tele Banking, Web banking, Mobile banking, ATMs smart, credit and debit cards, Phone Banking, ATM and Electronic Funds Transfers, FOREX Remittances, Electronic Clearing Service, E-Finance, ATM and Bill Payments and how far and to what extent these attributes are responsible for service quality in Public sector banks in Chennai City may now be examined with the help of Multiple Log Linear Model, it is given in the form of

$$\text{Log}Y = a + \text{log}b_1^{x_1} + \text{log}b_2^{x_2} + \dots + \text{log}b_n^{x_n} + u$$

Where,

Y = Dependent Variable (i.e. Service quality)

X1...Xn = Independent Variables (i.e. New banking technology)

U = Random Disturbance

From the results of **table 1**, it is discernable that the impact of new banking technology parameters on service quality in public sector banks. The ‘t’ values are the result of a test of the significance of relationship. The value of elasticity indicates that the degree of relationship between the dependent and the explanatory variables. Of the ten explanatory variables of new banking technology, five variables viz., Net Banking, ATMs smart, credit and debit cards, FOREX Remittances, E-Finance, ATM and Bill Payments that influence the differences in service quality in public sector banks, it is evident that the calculated value of ‘t’ is greater than the tabulated value of ‘t’ at 1 per cent level of significance. The five new banking technology variables have positively determined the service quality in public sector banks.

The sign of elasticity coefficient (b) of these variables is positive and more than one, it means that, if all the five significant variables influence increase, the service quality also increases. The value of coefficient of determination (R²) as shown in **table 1**, indicates that the variables included in the new banking technology bring about differences in service quality by 0.6875 (i.e. 68.75 per cent) in public sector banks. The value of coefficient (b) of all the explanatory variables is more than one, indicating that the percentage change in the service quality (due to the new banking technology variables) is more than the percentage change in the new banking technology variables. In other words, the rate of increase in the service quality is more than the rate of increase in the new banking technology attributes.

**Table 1 The Regression Co Efficient of Selected Attributes
(Effect of new banking technology on service quality in public sector banks)
Dependent variable: Service of Quality**

Independent variables	The Value of Co efficient (b)
Net Banking (x1)	1.6547* (3.827)
ATM’s smart, Credit and Debit Cards (x2)	1.065* (3.821)
Web Banking (x3)	0.3242 ^{NS} (1.812)
Phone Banking(x4)	0.4223 ^{NS} (1.534)
Mobile Banking(x5)	0.8425 ^{NS} (1.978)
ATM’s and Electronic Funds Transfer (x6)	0.1834 ^{NS} (1.001)
FOREX Remittance (x7)	1.9921* (3.114)
Electronic Clearance service (x8)	0.6345 ^{NS} (1.221)
E-Finance (x9)	1.069* (3.458)
ATM’s and Bill Payments (x10)	1.0423* (3.112)
Constant (a)	1.214* (3.245)
R²	0.6875

Sources: Computed

Note: * Significant at 1 per cent level

NS – Not Significant
Figures in parentheses represent t- values

Therefore it could be deduced above analysis that the value of coefficient of new banking technology variables such as Net Banking, ATMs smart, credit and debit cards, FOREX Remittances, E-Finance, ATM and Bill Payments influence in public sector banks. The impacts of new banking technology variables on service quality are higher. The signs of the coefficient (b) of all the five new banking technology attributes are positive sign, indicates that the higher the level of the new banking technology, higher will be the service quality in public sector banks. I.e. the value of elasticity (b) of Net Banking (1.65), ATMs smart, credit and debit cards (1.065), FOREX Remittances (1.99), E-Finance (1.069), ATM and Bill Payments (1.04) increases by 10 per cent, in turn they influence service quality increases by 16.5 per cent, 10.6 per cent 19.9 per cent 10.6 per cent and 10.4 per cent. It could be inferred that the above findings the service quality is positively determined by new banking technology. The coefficient of new banking technology viz., Net Banking, ATMs smart, credit and debit cards, FOREX Remittances, E-Finance, ATM and Bill Payments are expected to have positive sign.

1.4 Conclusion

It could be concluded that the effects of new banking technology on service quality in public sector banks in Chennai city, using Multiple Log Linear Regression analysis, which explain that the new banking technology variables viz., Net Banking, ATMs smart, credit and debit cards, FOREX Remittances, E-Finance, ATM and Bill Payments are positively determined service quality in public sector banks. This study has highlighted that service quality and new banking technology in public sector banks in Chennai city, which need to be improving to survive the competition posed by the new entrants in the foreign sector. The exiting organizational structure and policies of public sector banks are ill equipped through new banking technology to meet the new objective. Despite various committees being set up to examine the changes required in the exiting insurance framework, not much work has been done to improve quality to service delivery. Asset management not only entails the management of funds but also efficient handling of clients who are the invisible assets on the balance sheet. If public sector banks hope to survive in this changing environment, they will have to equip themselves with a commitment to quality services through the adoption of new banking technology.

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