



## Critical Success Factors of e-Banking in India

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### *Abstract*

*Finance & banking are the back bone of economy for any country. Internet, one of the most revolutionary inventions of the mankind has added an edge to the business perspectives of all the sectors, and definitely banking is no exception to it. It has opened the global gates to the earlier much localized banking and has rather made it real time. The implementation projects of e-business services are strategic and complex in nature and yet, the success is not ensured. Although these risks cannot be altogether reduced, they can be minimized by laying emphasis on critical success factors (CSFs) of its implementation. The paper presents an overview of some of the existing e-business implementation models in general and e-banking in particular. The purpose of the study is mainly to identify the possible common and specific factors dealing with the success of implementing e-banking services in banks in India.*

**Keywords:** Critical Success Factors (CSFs), e-Banking, India, internet.

### **Introduction:**

Growth prospects of the nation are governed by the performance of these sectors to a great extent. Governments across the world have to very careful and vigilant about the growth & development in these fields. With the advent of online banking, most complex banking functions can be performed and transactions are made. Online Banking or E-Banking or Internet Banking (words used interchangeably), in layman's terms is the simple application of world-wide-web to the banking operations. It has not only led to the ease of operations but has widened the scope of operations as well. Indian middle class of 288

million people is equal to the entire U.S. consumer base, thereby making India to be an attractive market for e-commerce. Catering to such huge customer base has become the responsibility of the business houses. The implementation projects of e-business services are strategic and complex in nature and yet, the success is not ensured. Banking industry needs to understand “if”, “when” and “how” to use e-banking services and factors critical to its success.

### **Review of Literature**

E-commerce is an important and upcoming issue for a number of organizations in the financial sector, especially banking. Jamil et al. (2012) explored factors critical to the success in e-commerce. The top six factors in order of importance include: *user-friendly website, systems security, support from top management, fast responsive customer service, promotion of electronic commerce within organization, all time availability of resources and rapid delivery of services*. Esichaikul & Chavananon (2001) in their research work identified general and specific factors crucial for B2C e-commerce and they are as: *Marketing Management, Attractive website and building connection. Among general factors are customer relationship factors (building trust) and Security factors*. Bradley and Stewart (2003) concluded in their research work that online banking is the demand of the industry and not a source of competitive advantage. Hence, every bank needs to adopt the same at the earliest to cut down its cost. The better the services are, the lesser the cost will be incurred. Khare (2010) conducted a study and the results reveal that India’s becoming net savvy predominantly by its younger population. The increased educational levels have changed the demographics resulting into immense opportunities for online services, and banking industry is benefitting out of it. The younger generation is accustomed to using web-based services and is hence, positive about its benefits. Khare et al. (2010) analyzed that younger consumer is more confident with technology and hence their acceptance of technology would be different from the older consumer groups. They also propounded that different consumers are influenced by different features of online banking and they try these banking services for different reasons.

### **Statement of the problem**

Online Banking makes the banking transactions more efficient and effective. It can increase the customer base of the bank, if handled carefully. Although customers wish that all their

1.1	Banks websites provides me financial security.
1.2	Only authorized person can access my account.
1.3	Banks websites keeps all promises and commitment.
1.4	Banks will never misuse my financial information.
<b>1</b>	<b>Security and Privacy</b>
2.1	Online Banking is trustworthy
2.2	I trust my online Banking websites
2.3	I trust that my all financial information will remain safe.
2.4	I trust the benefits provided by online banking.
<b>2</b>	<b>Trust</b>
3.1	Online banking provides simple operational procedure.
3.2	Banks provide useful tips for operating online banking.
3.3	It is easy to navigate the banking website.
3.4	Transactions can be done easily.
<b>3</b>	<b>Ease of Use</b>
4.1	Internet Banking is risky.
4.2	There is too much uncertainty associated with ob.
4.3	In comparison to other modes, online banking is riskier.
4.4	Internet Banking doesn't insure privacy of my account.
<b>4</b>	<b>Perceived risk of Use</b>
5.1	It is easy to interact with customer service personnel
5.2	Site responds to my queries on time.
5.3	They communicate any kind of changes.
5.4	Customer Service Personnel can be contacted 24*7.
<b>5</b>	<b>Customer Service</b>

6.1	Site's functions are stable and consistent.
6.2	Bank's website clearly explains how user info. is used.
6.3	Processing is quite fast.
6.4	O B website provides problem solution menu.
<b>6</b>	<b>Functionality</b>

**TABLE 1 STUDY ATTRIBUTES**

needs would be satisfied at once, but bankers must understand the needs as well as most importantly their priorities. This research study will analyze and identify critical success factors of online banking by its customers. Customers will be investigated on six dimensions namely: *Security & Privacy, Trust, Ease of Use, Perceived Risk of Use, Customer Service and Functionality*. Table 1 presents the list of attributes on which this study is based. An in-depth analysis and knowledge of customers will help in this industry to understand its customers and simultaneously ways to remove barriers which act as a hindrance for online banking commitments.

### **Objectives of the Study**

- To identify the possible common and specific factors dealing with success of online banking.
- To examine the issues that act as hurdles in its successful implementation.

### **Scope of the Study**

Everyone wish to have a comfortable living so that they can perform any kind of banking transaction anywhere and anytime. Internet offers enhanced ability to deal with its customers, but still there are a large group of customers who refuse to adopt such services as stated by Kuisma et al., (2007) and Littler and Melanthiou, (2006). Hence, this study aims to investigate the factors critical to the success of online banking.

## **Research Methodology**

Research design is descriptive in nature. The universe of the study refers to the Indian customers of any of the bank providing online banking services. Out of 250 questionnaires, 195 were returned and only 162 were complete in all respects. Secondary data was collected from previous research via published and online journals, magazines and online articles. Simple Percentage Analysis is used for analyzing the data.

## **Data Analysis and Interpretation**

### ***Simple Percentage Analysis of Demographic Profile***

**Online Banking usage across age.** Online Banking is more popular among the younger age group indicating that youngsters are more internet savvy and find this mode of banking more convenient than the traditional mode.

**Online Banking usage across occupation.** Approximately 70% of the respondents were either into any kind of service or were professionals. Their preference for online banking arose because of its convenience.

**Reasons for using online banking.** Half of the respondents use online banking services to transfer the funds, while another 20% use the facility for online payment of utility bills as well as printing the account statements.

### ***Simple Percentage Analysis Based on Study Attributes***

**Motivational factors to use online banking.** Respondents are of the view that it is quick, easy and secure to use anytime and anywhere and that also at your own comfort. Transactions can be done instantly by avoiding long queues while standing in a bank. Time can be saved by avoiding to go to a bank like fund transfers, issuing of a cheque book, account statements, etc.

**Crucial factors for online banking.** Trust and Security & Privacy are the most crucial factors identified for success of online banking (refer to Table 2).

**TABLE 2 SIMPLE PERCENTAGE ANALYSIS BASED ON STUDY ATTRIBUTES**

S. No	Study Attributes	No	%	Not Sure	%	Yes	%
1	Security & Privacy	10	6.2	7	4.32	145	89.51
2	Trust	0	0	5	3.08	157	96.91
3	Ease of Use	33	20.3	8	4.9	121	74.7
4	Perceived Risk of Use	150	92.6	6	3.7	6	3.7
5	Customer Service	54	33.3	33	20.4	75	46.29
6	Functionality	22	13.6	65	40.1	75	46.29

**Findings of the Study**

- Nearly one-third of the respondents using online banking were between the age group of less than 40 years.
- 80% of the respondents were male, indicating its usage more common amongst males than females.
- Approximately 94.3% of the respondents were highly qualified with either having post graduation or professional qualification.
- As high as 97% of the respondents believe that transaction through online banking is trustworthy, and this is of utmost importance.
- Another 89% of the respondents agree that banks will be maintaining privacy of their accounts and the data will remain secured.
- Nearly 3/4 th of the population consider the operational procedure of online banking to be easy and simple, while the others feel that the same can be made easier for more frequent usage.
- Amongst the online banking users, about 90% do not consider it to be a risky venture.
- More than 50% of the respondents are of the notion that customer services are not up to the mark, especially in terms of responding of the queries by the website on time.

- Mixed responses were generated by the researcher in terms of Functionality of the website. 46% of the respondents agree with the explanation provided for its easy functioning as well as fast processing and 40% were not sure regarding website's stability every time they log on the website.
- In order of their preference, customers opted for funds transfer as the first priority in an online transaction, followed by payment of utility bills and printing the account statements.

### **Suggestions**

Banks should increase awareness amongst adults in the age groups of 40-50 as they are resistant towards undergoing banking online. The same can be done via building trust and ensuring more security and privacy of their accounts. Timely upgradation of the process or innovations must be adopted for smoother transactions. Moreover, the entire process should be made simpler and better access should be provided therein.

### **Conclusion**

From the above findings, it can be concluded that online banking is popular only amongst young professionals or educated people. Therefore, there is still untapped market which can be attracted towards usage of online banking services. If the same is made easy to use and secured while maintaining privacy, more customers will be attracted while retaining the existing ones. It will help the bank in reducing the operational costs and the customers through convenience of anytime anywhere banking.

### **Scope for further Research**

In order to generalize these findings, it is suggested that similar studies should be conducted in other sectors as well. The focus of this study was entirely laid on banking industry. Similar studies can be conducted in other sectors as well. Moreover, future studies can also be conducted on preferences and expectations from this sector. Additionally, customer satisfaction, loyalty and retention can be determined by extending this study. This will enhance the understanding of customers by banking industry in India.

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