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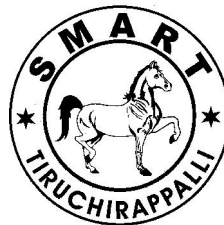
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# CUSTOMER ATTITUDES TOWARDS ATM BANKING

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## **Abstract**

*The applications of technology, along with product innovation, have brought about structural changes in the banking system. Off-site ATMs, On-Line Debit Cards, Anytime-Anywhere Banking are the latest jargons fast becoming familiar to all bank customers. These make the customers to move away from traditional branch banking and instead seek the convenience of remote electronic banking. Now banks have started offering their services through a plethora of delivery channels like ATMs, Tele Banking, Internet Banking and Mobile Banking to name a few. Of these, the ATMs represent the most prominently visible use of technology by the bankers and the customers at large. To ensure economic viability of each ATM installation, each bank should evaluate its ATM strategy from the twin standpoint of customer service and profitability. This article highlights the customers' attitude towards ATM banking in Tiruchirapalli from a study of 100 ATM cardholders of four banks, namely, SBI, ICICI, UTI, and IOB.*

## **Introduction**

'Technology' has an enormous potential to improve business, aided by aggressive marketing and product initiatives. Our banks, which in the past erected huge buildings, today go for boutique banking so as to be as close to the public as possible. The applications of technology, along with product innovation, are bringing about structural changes in the banking system. Off-site ATMs, On-Line Debit Cards, Anytime-Anywhere Banking are the latest jargons fast becoming familiar right to the lay bank customer. While on the one hand banks try to strengthen the customer relationship, customers tend to move away from traditional branch banking and instead seek the convenience of remote electronic banking noted above. In response to these demands, banks have started offering their services through a plethora of delivery channels. Besides the old-fashioned counter services at branches, it also uses IT Enabled Delivery Channel (ITEDC) like ATMs, Tele-Banking, Internet Banking and Mobile Banking to name a few. Of these, the ATMs

represent the most prominently visible use of technology by the bankers and the customers at large.

ATMs are no longer considered a luxury service. The customers are computer savvy, more demanding and time conscious. They are no longer willing to stand in long queues and tolerate the indifferent behavior of bankers. They demand global standards of service and expect to be empowered through self-service channels such as ATMs. It is no longer a question of whether to install ATMs or not, but of deciding how many and where. But banks have to ensure economic viability of each ATM installation, which is measured through the average hit per day. To ward off the problem of poor hits, banks enter into shared network agreement. Each bank should evaluate its ATM strategy from the twin standpoint of customer service and profitability. Hence a close look at customer profile, his tastes, preferences, cost, convenience and problems while installing ATMs besides the locational preference of customers.

## ATMs in the Indian Scenario

The first ATM was installed in India by HSBC in 1987. The number of ATMs in India is just 0.5% of the total in the world. There are 299 banks in the country of which 31 are in the private sector, 41 foreign banks, 176 RRBs, 19 nationalised banks, 8 SBI and its associate banks. Of the total 66,000 branches of all the above banks, 13% are in metropolitan areas, 16% in urban areas, and 71% lie in rural and semi-urban areas. These figures represent a big challenge to the spread of ATMs, as the concentration of banks is more in the non-urban segment. Amongst foreign banks, urban branches constitute 99% but with the private banks, it is 46% and for the public sector ones, it is just around 30-35%.

### A Snap Shot of Indian ATM Market

ATMs have mushroomed in the Indian urban landscape owing to the aggressive entry of private sector banks. Even PSUs had to follow suit subsequently in order to ensure that they retain their existing customers and also to save on costs. At the end of Mar 2004, the total number of ATMs were 11,119, indicating an increase of 42% over the last year's figure and expected to grow by 40% for the next year. The growth in ATM outlets is given in **Figure 1**. The market share of individual players in the ATM installation is shown in **Table -1**, which indicates that all banks have vigorously increased their ATM installation.

It is clear that the top three ATM deployers viz., SBI, ICICI Bank and UTI Bank account for more than 60% of the country's total ATM pool. SBI tops the list with 3800 outlets, followed by ICICI bank with 1800 outlets and UTI with 1300 outlets.

The customer base in India is around 300 million, and the total number of ATMs needed to service this customer base would be 2,00,000

at the rate of one ATM for every 1500 customers. As on date, the number of ATM outlets is less than 10% of this potential market.

### Why Low Penetration?

A survey by Financial Insights indicates that in Asia Pacific countries, ATM is the most preferred channel amongst the various ITEDCs (Information Technology Enabled Delivery Channels) used by bankers. The mean monthly transactions (Urban) in 2003 through each ITEDC as percentage to total number of transactions for few Asian countries are presented in **Table-2**.

The figures in the table indicate that in India, the percentage of transactions through ATM and branch is the same. But compared to other countries, transaction through branch is the highest and through ATM is the lowest in India while Korea has switched over to Internet banking in a big way. The main reason behind this contrasting scenarios is that since more than 71% of the total bank branches are in rural and semi – urban areas, installation of ATM in the village by every bank serving that village may not be a viable project since the hit per ATM would be less than 150 (optimum level) if more than one ATM is installed in that village. Hence banks are a little bit hesitant in this respect. A way out to this problem is to join the network, where the account holders of one bank can use the ATMs of other member banks in the network agreement. Such sharing arrangement is sure to bring more business to all the banks. According to ICICI, the increase in the ATM network has increased their customer base too.

### Pointers of a local survey

The results of the sample survey conducted to assess the usage pattern of ATMs in Tiruchirapalli covering 100 ATM cardholders of four banks, namely, SBI, ICICI, UTI, and IOB are presented below :

**Predominant purpose for using ATM cards :**

- ü Convenience - 42 %
- ü Anytime - Anywhere
- ü money - 27 %
- ü Safety - 23 %
- ü Miscellaneous - 8 %

**By adding more features and facilities, ATMs are sure to make a better impact on the society.**

**Average no. of withdrawals per month :**

- ü < 3 times - 34 %
- ü 3-5 times - 31 %
- ü 6-8 times - 20 %
- ü >9 times - 15 %

**Increase the frequency of usage to more than 3 per month to better optimise the ATM usage.**

**Usage with reference to time :**

- ü 6 pm to 10 pm - 48 %
- ü 6 am to 10 am - 32 %
- 10 am to 2 pm - 10 %
- 2 pm to 6 pm - 10 %

**Usage beyond normal hours is more, indicating that customers prefer to transact with the bank without affecting their other office work schedule.**

**Access points :**

- ü Business Place - 47 %
- ü Transport area - 25 %
- Centre of city - 15 %
- Other areas - 13 %

**Install more ATMs near shopping malls, business localities & at places with good transport facilities.**

**Speed of Service (In Minutes)**

	Cash deposit	Cash w/d	Get Chq. Book	Others
Personal Banking	12	15	26	15
ATM	2	2	NA	2

**Time saved in ATM banking on an average, is realized at about six times more than in personal banking!**

In addition to the above, the respondents have opined that they would like to use ATM for the following purposes.

More than 50% of the respondents prefer ATM channel for getting information about new products and services.

Nearly 75% of the respondents expressed hesitation in using ATM for deposits. However they would deposit through ATM provided their safety concerns and operational issues are

effectively addressed. They demand better proof for deposits through ATM.

Regarding problems faced, respondents have expressed thus:

- ✓ Improper maintenance of the system– 80%
- ✓ System failures- 72%
- ✓ Limited accessibility– 60%
- ✓ Technical incompatibility– 55%
- ✓ Fear of loss/misuse– 40%

- ✓ Difficulty in following the instructions of the machine– 30%
- ✓ Difficulty in remembering the password– 15%

- Ø Regular preventive maintenance schedules – to increase MTBF (Mean Time Between Failures).

**To tackle the above problems, technology can be harnessed in the following ways:**

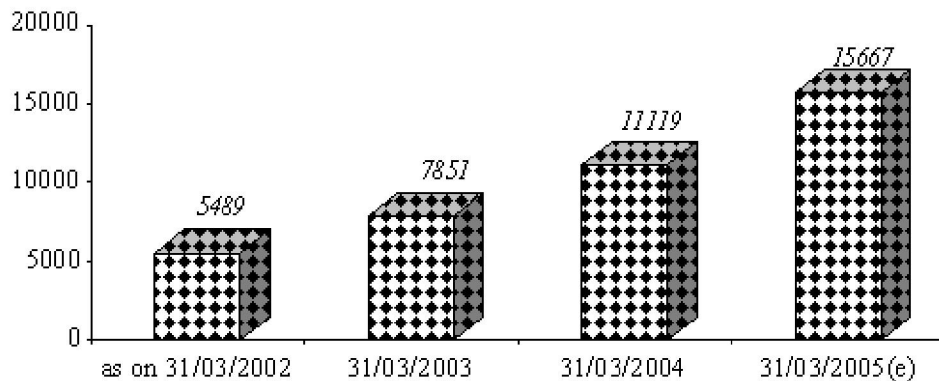
- Ø Sturdy design to suit Indian environments – to reduce system failures.
- Ø More concentration on infrastructure development, especially electrical power systems and associated back-up modes – to safeguard the system.
- Ø Voice guidance – to guide the customer with more user-friendly devices.
- Ø Biometric interface – using finger/eye print, to reduce fraud.
- Ø Access control and firewalls - to ensure integrity of transaction.
- Ø Use Digital Video Recorder / CTV – to detect burglary and fraud.
- Ø Alarms linked to police network – to avoid embezzlement.
- Ø Sharing arrangements amongst other financial institutions / banks - to ensure more accessibility.
- Ø Common switch – to avoid duplication of infrastructure facilities as also to ensure system compatibility.

**To Conclude**

It should be borne in mind that our country widely differs from the foreign ones in terms of literacy, economic affordability, available infrastructure etc. Hence, systems are to be developed in such a way as to provide cost effective solutions; user–friendly interface; multilingual capabilities; security to customers at the ATM sites, to state the least. At the same time, it should also provide a way for mobile and web-enabled ATM services to enable foreign business transactions. Towards this end, IDRBT is planning to set up a national ATM switch to hook up ATM networks of all banks across India. It is a part of INFINET, a closed group communication backbone for banking and financial sector. The cost of the transaction routed through the switch would be under Rs.10/- due to high volumes of transactions expected across the network.

The day is not far off when the most explicitly visible symbol of CYBER Technology today, the ATM Banking, shall reach the entire rural mass in our country!

**Figure 1: No. of ATMs Installed**



Source: India Card Industry Survey, 2004.

**Table -1 : Market share of Banks in ATM Installation**

<b>No. of ATM Outlets</b>	<b>As on 31/03/03</b>		<b>As on 31/03/04</b>		<b>As on 31/03/05(e)</b>	
	<b><u>Banks</u></b>	<b><u>Rank</u></b>	<b><u>No. of Outlets</u></b>	<b><u>Rank</u></b>	<b><u>No. of Outlets</u></b>	<b><u>Rank</u></b>
SBI	1	1875	1	3800	1	6000
ICICI	2	1721	2	1800	2	2070
UTI	3	822	3	1300	3	1600
HDFC	4	732	4	910	4	1100
PNB	5	325	5	400	6	500
Citibank	11	170	6	350	7	390
Andhra	9	220	7	340	8	380
IDBI	6	280	8	300	5	1000
GTB	7	261	9	275	9	285
BOI	8	221	10	250	10	275
HSBC	10	178	11	185	12	210
BOB	12	160	12	170	13	196
Indus Ind	14	121	13	158	14	182
Centurion	13	130	14	148	11	250
Stan Chart	15	90	15	120	16	170
Dena	16	60	16	113	15	180
Others	*	485	*	500	*	879
Total	*	7851	*	11119	*	15667

Source: India Card Industry Survey, 2004.

**Table - 2 : Mean Monthly Transactions (Urban) in 2003 (in percent)**

<b>Delivery Channel</b>	<b>India</b>	<b>China</b>	<b>Thailand</b>	<b>Malaysia</b>	<b>Korea</b>
Internet	8.5	10.2	5.1	15	30.1
ATM	42.4	49.0	51.3	53.3	32.9
Phone	6.8	6.1	5.3	1.7	21.2
Branch	42.4	34.7	38.5	30	13.8

Source: Financial Insights.

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