

CONSUMER PREFERENCE TOWARDS USE OF ATM SERVICES IN MYSORE CITY

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ABSTRACT

21st century is enhancing the complexities of life so customers are demanding more convenience from service industry and banking sector. In that ATM is one of the most popular delivery channels as it will permit customers to do Anywhere, Anytime banking. The bank and customers stand to gain in several ways. The benefit of ATMs is that it shall bring down the cost per transaction, increase efficiency by reducing workload of staff, they help to increase accuracy, speed, save time, money and efforts of customers. ATM impacts the customer services and leads to better customer satisfaction. To analyze the relationship between demographic variable and preference to use ATM, structured questionnaires used to collect the data from a convenience sample of 250 customers from five samples nationalized banks in Mysore city. Frequency, Percentage analysis and chi square tests are applied for analysis and interpretation of data. Also tables are prepared for better understanding of the findings.

KEYWORDS: ATM, Nationalized Banks, Consumer Preference

INTRODUCTION

ATM means “**any time money**”. Slim ATM cards are fast replacing confounding withdrawal forms as a convenient way of getting money from banks. In a way, they are rewriting the rules of financial transaction. A smart person no longer needs to carry a wallet-full of paper money on his person. All he needs to do is to have an ATM (automated teller machine) card, insert it in the slot, punch in a few details and go home with hard cash.

Automated Teller Machines (ATMs) were the first well-known machines to provide electronic access to customers. With advent of Automatic Teller Machines (ATM), banks are able to serve customers outside the banking hall. ATM is designed to perform the most important function of bank. It is operated by plastic card with its special features. The plastic card is replacing cheque, personal attendance of the customer, banking hour's restrictions and paper based verification. ATMs have made hard cash just seconds away all throughout the day at every corner of the globe. ATMs allow doing a number of banking functions – such as withdrawing cash from one's account, making balance inquiries and transferring money from one account to another – using a plastic, magnetic-stripe card and personal identification number issued by the financial institution.

The Indian ATM Industry has seen explosive growth in recent times. ATMs represent the single largest investment in the electronic channel services for the Banks. In India, HSBC set the trend and set up the first ATM machine here in 1987. Since then, they have become a common sight in many of our metros. Automated Teller Machines (ATMs) have gained prominence as a delivery channel for banking transactions in India. Banks have been deploying ATMs to increase their reach. While ATMs facilitate a variety of banking transactions for customers, their main utility has been for cash withdrawal and balance enquiry. As at the end of October 2007, the number of ATMs deployed in India was 31,078. According to some estimates the total cash movement through ATMs across India was around Rs. 70,000 crore in FY 06. Clearly, industry watchers forecast a bright future for ATMs in India. While the ATM is a great service for customers, for

the banks it means immense savings on the cost of operations. While a typical cash transaction carried out in a bank branch premise would cost Rs 40 that in an ATM will only cost Rs 18 translating into a cost saving of Rs 22 per transaction.

ATM NETWORKS

The ATMs of a bank are connected to the accounting platform of the bank through ATM switches. Inter-bank ATM networks are created by setting up apex level switches to communicate between the ATM switches of different banks. The inter-bank ATM networks facilitate the use of ATM cards of one bank at the ATM(s) of other banks for basic services like cash withdrawal and balance enquiry. Banks owning the ATMs charge a fee for providing the ATM facility to the customers of other banks.

The ATM deploying bank from the card issuing banks recovers this fee referred to as 'interchange fee'. However the interchange fee is not fixed across banks and depends on the terms of bilateral / multilateral arrangements. Banks with larger ATM network treat interchange fee as an important stream of revenue.

LITERATURE REVIEW

ET Bureau (2011), — The effective use of technology was propagated by The Reserve Bank and has asked the banks to effectively with a focus on bringing down costs and improving customer services in its information technology (IT) vision document for 2011-17. Further, the committee specifies the role of IT in banking —with the major objective being balancing the three Cs — cost, control and customer services.

Vijesh R et al (2011), in his research paper mentions the benefits of providing valuable services through delivery channels "Deliver the services simpler, Deliver the services Fast, Deliver the services securely, acquire new customers, retain their existing customers, keep customers highly satisfied on the services provided, Lower operational cost, Lower transaction processing cost.

Sachin Kumar (2011), the article have shown the popularity of ATMs in India today based on the data released by National Payments Corporation of India (NCPI). The number of ATMs installed increased by 29% to 69,324 from January 10 to January 11. Similarly, the cash withdrawal increased by 142 % to Rs. 27,655 crore in January 11 from Rs. 11,429 crore in January 2010. The number of transactions including balance inquiry and cash withdrawal has increased by 121% touching Rs. 12.5 crore by January 11. This enhanced popularity is due to the increase in number of services (money transfer, mobile and electricity bill payment, income tax payment, cash deposit and air ticket booking) offered by banks through ATM. [3]

Nivedan Prakash, in his article points the benefits of implementing core banking solution as —The basics of a successful consumer banking strategy is to have a technology platform that can offer anytime, anywhere banking like Internet banking, ATM, mobile banking, etc. A perfect CBS offers all of these with a lower TCO and higher ROI. Further, —With the exception of a few large co-operative banks such as Saraswat Bank and Shamrao Vithal Bank, there is little evidence of a comprehensive CBS implementation in the co-operative or small bank sector. However, there is momentum. Most co-operative banks still operate in branch banking mode, and are not expected to upgrade to sophisticated systems unless pushed by the regulator, and other agencies such as the FIU-India which tracks terrorist financing and money laundering activities, which would require the which would require the banks to centralize their customer information.

Jham et al (2008), this study on Customer Satisfaction in the Indian Banking Sector, reports on the different satisfaction levels of the customers. The findings suggest that —while private banks have been able to attract the younger

customers with higher educational levels, who are comfortable with multi channel banking, the customers of the national bank are older and more satisfied with the traditional facilities.

Banknet Publications (2007), this report is based on survey of 250 respondents who were in the age range of 20-60 years, from cities spread across India. Majority of respondents belonged to Mysore city, Karnataka. An effort was made to ascertain through this survey ATM user perceptions towards accepting the ATM machines, value added services provided and the problems faced by users.

STATEMENT OF THE PROBLEM

The Nationalized Banks have introduced ATM facility since the last six –seven years. As the use of ATM is increasing day-by-day, it is important to study the Customer Preference towards use of ATM services in Mysore city. This study is one of such an attempt.

OBJECTIVES

- To study the awareness and preference to use ATM services offered by select Cooperative banks in Mysore city.
- To study the problems faced by customers while using ATM services offered by select Cooperative banks in Mysore city
- To identify the association between age and preference to use ATM services by select Cooperative banks in Mysore city.

RESEARCH METHODOLOGY

Secondary Sources

Secondary information was used from journals and magazines and also includes websites of banks for the present research study

Primary Sources

A well-structured questionnaire was prepared and distributed to the customers of sample banks in Mysore city at the ATM terminals to collect customer information.

Tools Used for Data Analysis

The data collected was analyzed through percentages, frequencies and chi - square test. Charts are also prepared.

Period of Study

The study was conducted during July 2013 to September 2013.

Sampling Design

The state of Karnataka has a strong cooperative movement and Mysore city has number of nationalized banks. Five nationalized banks have been selected for the purpose of this study. 250 customers from the sample banks have been interviewed for purpose of data collection. The data required is collected based on convenience methodology. All five banks have introduced ATMs and are members of ATM shared networks like NFS / BANCS 2000. Customers having experience of branch banking and ATM have been considered as respondents to collect information and exploratory research is done using purposive sampling technique.

Hypothesis

The following hypotheses are set for the present research study:

- Customers are not aware and do not prefer to use ATM services offered by their banks.
- Customers do not face problems while using ATM services offered by Cooperative Banks.
- There is no association between age and preference to use ATM

Data Analysis and Interpretation

Table 1: Gender Wise Distribution of Respondents

Gender	Frequency	Percentage	Rank
Male	155	62	1
Female	95	38	2
Total	250	100	

There are 95 (38%) female respondents While 155 (62%) are Male Respondents.

Table 2: Age Wise Distribution of Respondents

Age	Frequency	Percentage	Cum. Percentage
Below 30 years	72	29	29
30-50 years	123	49	78
Above 50 years	55	22	100
Total	250	100	

123 (49%) respondents fall in the age group of 30-50 years while 72 (29%) respondents fall in the age group that is below 30 years. Only 55 (22%) fall in the above 50 years bracket. This shows that the younger generation being tech-savvy uses ATMs most as compared to the older generation.

Table 3: Preference for Using ATM or Teller

Preference for ATM to Teller				Total
Yes	%	No	%	
180	72	70	28	250

180 (72%) respondents prefer to use ATM over Teller. About 28% respondents showed their preference to use both channels viz. ATM or Teller.

Table 4: Necessity of ATM to Respondents

Response	Frequency	Percentage
Essential	235	94
Not so Essential	15	6
Not required	0	0
Total	250	100

Table 4 depicts that 235 (94%) respondents felt that ATM was essential, while 15 (6%) respondents felt that it was not essential. However, not a single respondent felt that ATM was not required.

Table 5: Frequency of Use of ATM by Respondents

Response	Frequency	Percentage	Rank
Daily	90	36	1
Weekly	80	32	2
Fortnightly	50	20	3
Monthly	30	12	4
Total	250	100	

Table 5 reveals that 90 (36%) respondents use ATM daily while 80 (32%) respondents use it weekly. 50 (20%) respondents use the ATM fortnightly while 30 (12%) use it monthly.

Table 6: Preference of Use of Respondents Based on Location of ATM

Response	Frequency	Percentage	Rank
Any site ATM	120	48	1
Off site ATM	70	28	2
On site ATM	60	24	3
Total	250	100	

Table 6 depicts that majority of respondents (48%) prefer to use any ATM based on their requirement and proximity to ATM.

Table 7: Showing Use of ATM Service by Respondents

Response	Frequency	Percentage
Cash withdrawal	250	100
Balance check	250	100
Mini statement	250	100
View transaction	203	81
Fund transfer	28	11

Table 7 shows ATM services used by respondents. While 100 pc respondents use cash withdrawal, balance check and mini statement facility, only 11% respondents use Fund Transfer facility. 203 (81%) respondents view their last few transactions.

Table 8: Showing Problems Faced by Respondents

Response	Frequency	Percentage
Non operational ATM	98	39
Receipt not issued	108	43
Cash over	78	31
Less no. of ATM's	58	23
Cash not dispensed	65	26
Takes more time	30	12

Table 8 depicts the problems faced by respondents. The major problem faced by respondents is non-operational ATM which has been reported by 98 (39%) respondents. 108 (43%) respondents faced the problem regarding non-issue of receipt or the receipt printed was not legible. 78 (31%) respondents faced the problem that cash was over in the ATM machine especially over weekends or on holidays.

Table 9: User Preference for Using ATM

Age	Yes	No	Total
Below 30 years	45	17	62
30-50 years	121	26	147
Above 50 years	25	16	41
Total	191	59	250

To examine the association between age and preference to use ATM among the respondents, chi-square test was applied and the results are given Table-10.

Ho: There is no association between age and preference to use ATM

Ha: There is association between age and preference to use ATM

Table 10

O	E	O-E	(O-E) ²	(O-E) ² /E
45	44.5634	0.4366	0.19062	0.00428
121	121.632	-0.6324	0.39993	0.00329
25	33.8927	-8.8927	79.0801	2.33325
17	11.3731	5.6269	31.662	2.78394
26	25.1839	0.8161	0.66602	0.02645
16	14.5922	1.4078	1.9819	0.13582
Total				5.28702

$$X^2 = 5.28702$$

$$\text{Degrees of freedom} = (c-1)(r-1) = (2-1)(2-1) = 1$$

The table value of X^2 for 1 degree of freedom at 0.05 percent level of significance is 3.84. Comparing calculated and table values of X^2 , the calculated value is more than the table value confirming the association between the age and preference to use ATM services. Thus, the null hypothesis is rejected, and the alternate hypothesis is accepted.

SUGGESTIONS

On the basis of detailed study of Customer Preference towards use of ATM Services towards services offered by nationalized banks, it is clear that ATM services plays vital role in the banking activities. The various suggestions for improving the effectiveness of the ATM services of the banks are follows:

- Banks must concentrate on educating female customers to use ATMs. For this purpose banks may hold training programs for customers from time to time.
- ATM services are used by younger customers of the bank than the older generation. It must make efforts to educate them for using ATMs.
- Banks may also draw up special incentive schemes to induce customers to make maximum use of ATMs.
- Number of banks own ATMs must be increased. As the number of ATMs is fewer customers are forced to use off-site ATMs which form part of shared network and have to pay higher charges after the 5th transaction in a month.
- Banks must offer a better variety of services through ATMs. At present they are very limited in number. Only when this is done visits of customers to branches reduce and both bank and customer will benefit in the true sense.
- ATMs must be maintained properly by banks. Banks must ensure that uptime is near 100 %. Air conditioners, UPS systems, key boards, Monitors etc. must always be in proper working condition.
- Cash refilling at proper intervals must be made to ensure that cash does not get over in the cash stacks. This care should be taken over weekends and during holidays.
- Problems of technical nature resulting in debiting of customer account without dispensing of cash should be rectified urgently. Care must be taken to ensure that such problems do not occur at all.
- Paper for receipt printing must always be available in the ATM centre and efforts should be made to refill the paper roll in time to avoid inconvenience to customers. Banks should ensure that the printing on the paper receipt is clear and of good quality.

- The system of transacting through ATM must be speedy, accurate and reliable. Banks must ensure that the technology adopted by them is the latest and most efficient.

CONCLUSIONS

Banking through ATM has not only transformed traditional banking but has also brought a paradigm shift in the attitude of banks to banking operations. It is evident from the present study that a majority of the customers are highly satisfied with ATM services and view them as —essential services. The customers prefer ATM with time and cost utility which provides efficient services. Despite drawbacks in ATMs, it is still preferred as it benefits the bank, employees and customers. It is thus, imperative for banks to ensure that undisrupted and efficient ATM service is provided to customers for best results.

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