

Globalization and privatization



**ASSIGN
BUSTER**

INTRODUCTION

In the present era of globalization and privatization, the only word presumed to be constant is the word ‘ change’. Globalization has reached all the nooks and cranny of the world, showing positive effects and remarkable developments and innovation especially in the communication and technology field, it can be seen that the tricks of the trade are changing very fast. The development of communication and technology has definitely made the world much smaller and brought it within the boundary of our living room. However, the most beneficial has been the evolution of internet. Internet and its allied services have really done wonders in almost every aspect of life. The commercial world has benefited the most from the rise of the internet. It can be said that the internet covers almost all the aspects of life. The online aspects have really made the financial world much better place to be it. Among the various financial sub-sectors, the commercial banks are the most important. And the introduction of internet in the daily operation of such financial banks have made the transaction all the more beneficial for all the concerned parties be it the valued customers, the commercial bank, government or the monetary authority be it the media.

It is against this backdrop that we throw some light on the performance of the leading four banks of the United Kingdom; NatWest Bank, Barclays Bank, HSBC and Lloyds Bank, with respect to online banking and the perception of the customers. At the outset, the report sheds light on online banking and the four banks and their brief history and present status (see: Appendix A). At the next level, the various features of the online banking provided by the financial companies are analyzed. The report subsequently deals with the

research objectives, the methodology, and the research findings with respect to online banking. The report also has certain recommendations, thereafter, the concluding words.

The online/Internet Banking

Internet banking is a time saver, instead of going into the bank for transactions, you can easily do it on the internet. (R3)

The internet banking is the call of the hour. Because of the ever-increasing competition, it is always accepted by all the business leaders that it is difficult to get a new customer than to retain an existing one. Therefore, duty lies on the service provider that has the best of the services provided to the existing customers so that they do not shift their business to other new entrant or an existing player. It is all the same for the banking industry. Even if the leading banks of the world like that of Barclays, Lloyds, HSBC or NatWest do not align with the latest technologies and upgrade them, it is almost certain that they would lose their customer base.

The leading four banks of the United Kingdom have the following facilities within the range of the online banking i. e. the internet banking and the mobile banking.

Barclays

The Barclays play tremendous importance on online banking. The leading bank tries to put emphasis on the point that the customer should be able to keep track of their money and should have the opportunity to withdraw when ever and where ever he feels as far as it is his money. The bank rightly says that the online banking also enables the customer to check statements,

transfer funds and pay the bills. Barclays depend upon three important pillars to promote online banking among its customers namely convenience, easy operations and secured transactions.

In its website, the bank specifies in clear terms the steps through which the valued customer can register for the online banking services along with generation of five (5) digits pass code or PIN sentry, which would ultimately enable the customer to get the full access of the online banking. Pertaining with the fact that a major part of the customers might not be yet conversant with the online banking system, Barclays Bank have a special section in its website containing the detailed demonstration, online banking system for business needs and most importantly the online banking guarantee (Barclays, n. d.).

Lloyds Bank

The Lloyds TSB has brought in whole lot of services under the department of internet banking. Some of the basic facilities are listed below:

- Search Statements – This facility enables the customer to search and verify statements by payment type, date or amount since July of 2002. It also facilitates him to download the statements into spreadsheets or any of the financial software packages.
- Stop paper statements – This feature serves as the corporate social responsibility as the usage of paper reduces as statements can be viewed electronically. In addition, the features allow the customer to get the duplicate copy whenever required.

- Real time balances – The balance can be checked on the transaction basis and a track can always be kept on the account.
- Moving money and paying bills – The money can be transferred within the Lloyds bank accounts instantly and also bills can be paid apart from paying to families and friends through faster services.
- Manage bills online with Lloyds TSB Bill Manager – it includes receiving bills online, getting email alerts and paying as and when the customer wishes.
- Managing Lloyds TSB accounts – All the Lloyd Bank accounts can be checked and the credit limit of the credit can be fixed.
- Getting Free Tax alerts – The customer has the option to register for free tax alerts, he can also order cherub and paying books through the online mode.
- Managing direct debits and standing orders – The bank also allows setting up, changing and cancelling standing orders and managing direct debits.
- Hassle free application for products and services – The customer can apply new or increased overdraft as well as loan, opening online savings account and can upgrade current account.
- Ordering travelers' cherub as well as foreign currency – This feature is very helpful to the international customers as it initiates commission free online travel money.

In case of mobile banking of Lloyds Bank, a nominal cost of £ 2. 5 per month is charged and tax alerts are made available along with the facilities like checking of balance and mini-statements and transferring of funds. Also, the

bank allows ordering debit card, credit card, cherub book and paying-in book through mobile banking. (Lloyds, nod)

See Appendix A1 for services rendered by NATWEST and HSBC

THE CUSTOMER BEHAVIOUR, MOTIVATION AND ACCEPTANCE OF ONLINE BANKING

Researcher on customer behavior and acceptance of online banking revealed that there are several factors that affect a customer behavior towards online banking, such as the demographic factor, likewise prior experience to new technology and computers also influence the behavior towards online banking.

Karjaluoto et al (2002) found a typical user of online banking in a Finnish market, highly educated, relatively young and wealthy with a good knowledge of computers especially the internet. The outcome of the research suggested that demographic factor have an effect on his online banking attitude. In addition, how croft et al (2002) showed that younger people/customers value the convenience or the time saving potential of online banking more than the older generation. However, the avoidance of meeting a bank official is taken as important by the younger generation unlike the older generation.

Daniel, 1999, Sathye, 1999 also reported that the less privileged people of the society will prefer the Face to Face banking, unlike the rich, which will prefer to use online banking. Nevertheless, the use of online banking has been argued that demographic, geographic, social- economic and psychographic variable have not been generally accepted as a viable predictors in determining the purchasing attitude/behavior in the financial

services by past and recent studies. Instead segmenting the customer in bank marketing by expected benefits and attitude was suggested in a study by Machinery and Merger (2001). These authors used the cluster analysis to separate the customers into four groups, that is, “ the transaction oriented group, who have a relatively strong technology but their attitude to information is weak, “ the generally interested”: they have a positive technology with a strong attitude towards information, “ the service oriented group: these set of people have a weak attitude towards technology and information. Lastly, the “ technology opposed” group: these set of people have a very strong attitude towards information but weak attitude to technology. But the above study was recently contradicted by a study done by Sorel and Marmorstein (2003) which revealed that the income of a household and the level of education significantly affect the acceptance of online banking.

The motives of customers determine the behavior and attitude towards different banking technologies. In a report by Barcia et al (1999) which investigated customers motives in the technological based banking services and found management philosophies, which are “ security conscious” “ maximisers” “ instant gratification” and “ hassle avoider”. These four motivational segments had different behaviors towards the differences in banking technologies. Sather 1999, also made us realize that” unless the specific needs of customers are met and fulfilled, customers may not change from their present way of operating” Karjaluoto et al (2002) also revealed that “ prior experience with computers and technologies and attitudes towards computers influences both attitude towards online banking and the

actual behavior”. Also their study later revealed that prior to computer experience has a significant effects and impact on online banking usage and satisfied customers tends to keep up with their current delivery channel”.

Karjaluoto et al (2002) also revealed that reference group have equally affected the attitude and behaviour of customers towards online banking. Also their study suggested that the overall strongly positive attitude towards online banking are more faster, easier, cheaper and more service oriented, this was as a result of using the fishbein model. Lastly, a significant amount of study has revealed that perceived risk and trust have a positive influence on commitment (Bhattacharjee, 2002; Mukherjee and Nath, 2003).

RESEARCH OBJECTIVES

The acceptance of online banking in the UK has had a tremendous change in the customers

and the banking sector, hence it is essential to investigate the market and deduce the true

customers and the demographics. Therefore, the objectives of this research were

- To understand the perception of customer to online banking.
- To truly identify the target customer of online banking.
- To equate attitudes of users of online banking.

METHODOLOGY

Four respondents taken at random across the United Kingdom were interviewed by the researcher (i. e. The writer) . Respondents orally replied

to the well structured questionnaire prepared the researcher, also their response(s) were recorded and transcribed(Appendix C). The respondent chosen for the interview were students and a member of the working class, in which one of the student is an international student (referred to as R3), while the other student were British born(i. e. R1 and R2). The fourth respondent is also a British born but with foreign roots, which also hold a managerial position at her workplace(R4).

The reason for choosing the above respondent were premised on the customer lifestyle, age, demographic factor, customer expectation and believes of banking and online banking. Also the status and perception of the customer towards online banking was also considered.

The questionnaire featured issues about content and design, navigation of the website, speed and their views about security.

RESAERCH FINDINGS

FACTORS AFFECTING BEHAVOIUR AND ADOPTION OF ONLINE BANKING

Awareness: This research indicated an important difference between users and non user of online banking in terms of their level of information from the banks about the services(respondent reply). The result shows that the non user of the services were not aware, also not well informed about the benefits of the services.

Change of Environment: This research also found out that some of the non user were new to the system(they are new to online banking because the service(s) were not available in their home country).(R3)

Past Experiences of Users: The research also attributed some problems to experiences of past users in such a way that past customers that were victims of online or internet fraud will never advise new or intending user(s) to use the services. Also some intending users ask for the opinion of existing user/ sometimes past users about the demerits and the advantages of the services before signing up for the services(R2)

Education: The research also showed a significant problem to the level of education of an individual. (In the course of picking the respondents, some uneducated individuals were approached and one of the response was “ It’s meant for the educated people and I really don’t care about online banking or even banks.”) while another showed a complete bad attitude towards the researcher “ i don’t know anything about banks, all I know is that they steal my money and You can go to hell with your interview”.

Change in Technology: Some problem hindering the success of online banking was also attributed to the change in technology i. e. a situation where banks use sophisticated software’s or complex software’s that the existing users find it difficult to navigate, which eventually can lead to bad referencing to intending users.

General Discussion

Some previously researched reports were able to deduce that the internet is about the biggest thing to hit the world, and is still making an impact, by all indications, it will continue to do in the next couple of years. To align the life with this biggest and the most amazing as well as technological upsurge, almost all services and products all across the life has been using internet in

its favour. The increasing number of internet user's proves the fact that the internet just cannot be ignored.

Studies conducted by British Banking Association reveals that the there has been increase of a whopping 156% registered users to access their accounts with in the Major British Banking Groups (or simply MBBG).

The figure suggests that there has been steady rise of the electronic customers for the banking majors of United Kingdom and as more and more of the banks get into it along with large number of customers, they can reduce cost in terms of work force employed and increase profitability thus creating value for the shareholders. In addition, the fact is that still large number of banking persons solely depend on branch banking and the banking companies should try to tap them into online banking by making them understand the various benefits of the system.

Nevertheless, proving all the misconceptions wrong and to reap the benefits of the online banking industry, the numbers of persons using online banking for various reasons are also on the rise.

From the above table, it can be undermined that in the five years time (i. e. from 2002 to 2007) there had been more than 450% increase among the customers who checked their account balance from the online banking system. Account queries also had a major leap i. e. 400% increase. During the five year period, the online bill payment increased by more than 280% and the inter-account fund transfers recorded an increase of more than 414%.

All the above figures suggest that there is a huge boom in the online banking system and the customers are increasingly being hooked to it because of its superb features.

The Road Ahead

Almost all of the major banking groups all across the globe has divulged in to online banking understanding the call of the hour and the big four commercial banks (Lloyds, NatWest, Barclays and HSBC) of the United Kingdom is no different.

The prime reasons of such enormous popularity of the online banking system has been the vital factors of cost savings (by reducing the man power), increased customer base (more and more people are getting themselves under the banking system and it is almost impossible to serve all of them manually at the branches), mass – customisation (the individual can be targeted personally and his own choices can be addressed in place of standardisation), increased innovation and development of non core business and less expensive marketing campaigns.

Nevertheless, there are certain other factors upon which the quality of the online banking system depends and some of the reasons people use online banking. Some of them can be assessed as below:

- Speed – The initiating party of the online banking system didn't just prepare the website for use but also ensured proper functioning of such services. Speed is very important in the cyber world. One of the prime reasons of the success of internet is its fastness and now if the web service initiated by the bank is very slow, the internet community

user would be utterly disappointed and it might even so happen that they turn away from the service or even changes their banking partners (Muylle et al., 1998).

- Content and design – The ability of a website to have proper banking options with well-developed content. Even the design of the website matters and therefore should be soothing. As the online banking, system also serves the marketing and advertising aspects of the commercial banks, therefore usage of the terms and concepts should be carefully done with the purpose of search engine optimisation. The other important features should be the layout, languages, product information content, amount of product information and others.
- Navigation – Navigation depends upon lot many factors. It comprises of the hyperlinks, web pages, homepages, and amount of hyperlinks, hyperlink encoding and personal contact possibilities among others, which would influence the satisfaction of the user (Gatian, 1994).

I find it easy to use as in, everything is in bold writing, everything in different category and to get to the internet banking, you can just type in from google and it would come up. (R 1)

The initiating bank should take due care along with the web content developer so that this crucial point is not missed as much of the impression and professionalism that is to be expected from the bank depends upon the navigation.

Security – The only demerit that one could associate with the online banking system has been its easily susceptible security system. There have been

many such experiences where the password or the security number of the consumer has been hacked and money taken out. (R. 3)

Banks have been taking many measures to protect the consumers as they have been using 'secured' website. In addition, they have been advising the customers not to use the public computers for online banking.

These are few of the area that the banks should put in more efforts to make the online banking successful as the policies of the monetary bodies and the governments are increasingly provide scope for it.

Conclusion

There is no doubt that the online banking system is one of the most happening and beneficial services that has really changed the tricks for one of the most traditional industry i. e. banking. The trends have always favoured the fact that the number of online banking users are on the rise. The big four leading commercial banks have played pivotal role in the upsurge of the system in the United Kingdom. However, the bottom line fact remains that the online banking system can easily accommodate more of users and serve them with hassle free transactions with utmost speed and safety. The banks should encourage such practises and initiate measures, which are beneficial to the customers as well as the shareholders.

Recommendations

The online banking and the mobile banking has been the need of the hour. As the life style of the people has been becoming increasingly fast and they become global citizens, the requirement arises of online transactions. The burden lies on the banks to provide a safe and secure money transaction

terminal. The banks with the online banking procedures can reduce the pressure on their branches and reduce cost. Therefore, it is prudent for the bank to have a dedicated website with high navigation and speed. The banks in order to serve and address the global customers should have tie-ups with the online system like that of PayPal, Alert Pay, Visa or Master Cards.

Though in spite of all the careful measures, the bank cannot guarantee efficient and effective fraud free system still it is within the purview of the banks that they have require checks on their online address and there are no such malwares and spywares that would take away the personal data of the valued customers. The banks should advise and guide the customers about the usage repeatedly and support them in case of any unfortunate and unprecedented event.

Also the banks should enlighten more customers on internet banking, why they should use it and security threats facing it, (R 3)

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