

Innovative banking products: Win-Win situation for Customers and Banks

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Abstract— The innovative banking has changed drastically the way the banking transaction and service delivery is carried out by the banks in India. Information and communication technology has transformed the product delivery channels of banks in such a way that they sell their banking products to customer by using Internet. Several innovative technologies include NEFT, RTGS, Online Marketing, ATM, Online banking. The beginning of the 21st century brought with a number of activities that has impact on the adoption of the innovative banking technology. The innovative banking has transformed the banking industry and motivates banks to invest in information and communication technology to reach out at their strategic goals. This paper provides insight into the innovative banking products; it is a win-win situation both for the banks as well as for the customers. Innovative technology provides convenience, fast transaction, and transparency to the customer and offers less costly transaction, lower operating cost to the banks. So innovative banking offers benefits to the customer as well as banks. The main purpose of the study article is to present the current level of research on innovative banking services. Internet banking adoption become popular in the year 2000 and started peaking up from the year 2012 onwards. The finding provides research gaps on innovative banking research and different measures banks should undertake to improve on the efficiency and effectiveness.

Keywords- *Innovative banking; internet banking; trends in banking; banking services*

I. INTRODUCTION

Innovative banking is been viewed as a cost reduction and convenient channel by the customer and banks. It saves times and there is no geographical boundaries to it, bank customer residing in India can have their bank transactions worldwide through the information and communication technology. Infrastructure is very important part of the innovative banking technology. In innovative banking technology, one added cost involved in terms of acquiring and maintenance of computer equipment. Most customers who have adopted internet banking services believes that it has got lot of advantages while on the other side some believes that because of security and privacy issues innovative banking has disadvantages. Necessity of information and communication technology infrastructure as well as poor knowledge about the innovative banking technology restricts users from using innovative banking products. Information and communication technology is a pillar of the development and play key role on the adaptability and workability (EDWIN AGWU, 2012).

First movers have adopted different strategies to target bank customers while followers would adopt different strategies for the same. (L. A. Costanzo, K. Keasey, H. Short, 2003) found that first movers who adopted a “value innovation” approach have been more successful than the second movers who adopted “conventional” logic to strategy formation. The term radical and incremental innovation got different meaning. Radical innovation is about the creation of a new product from scratch, while incremental innovation is about improving the existing product. Incremental innovation requires a

continuous advantage of the existing core competencies. The creation of radical innovation generally happens with redefining core business. Therefore, to create value for the customer requires radical innovation and it will help businesses to grow. Large organizations generally go for the incremental innovation rather than the radical innovation, as implementation of radical innovation is very costly and time consuming. Large size institutions generally avoid first adopters to the new technology.

Innovative banking has different channels to deliver services to the customers. Major growth driver behind innovative technology is growth of the Internet. Banks have to better understand their clients and should provide services to the customers in such a way that customer can easily adopt the new technology. The introduction of E- banking changes overall thinking of the customers and competitors'. Great promotional efforts require creating awareness for the new technology and benefits of it. Challenges for the E banking being awareness, adaption of technology, trust, speed of service, internet use, and privacy of service. Easier technology has priority for better spread of service over technology or product centric approach.

Adoption of Innovative banking by the customers will add value to them and provides opportunity for the banks to provide service at the affordable cost and to boost incomes. Innovative banking tools also provides feature to secure longer-term relationships with the bank by the customer, if it handled properly. There are so many behavioral issues like trust, security, reluctant to change towards new technology. The development of E-banking depends on factors like strategic, operational, demographic, and technical variables. By adopting innovative banking technology bank need to focus more on the cost reduction, customer retention, responsiveness, trust, security and ease of use of using product and services. Innovating banking has multiple benefits for the banks as well as for the customers. Innovative banking adds value by providing better customer service and creating

opportunities. Innovating banking treat customer as individuals and so customer would be more loyal towards institution. Innovative banking provides opportunity for banks to offers new banking experience to their clients (**Maria, 2010**).

Consumers use innovative banking as it provides benefits comparison to traditional banking channels. The important influential factor indicates that consumers are having more ability to use computer, mobile and internet becomes user of innovative banking. Ease of use, perceived risk, and quality of internet were most significant variable. Some studies found perceived risk as an important factor. Regardless of the penetration of the internet, cost and quality of internet remains the most important factors for adoption of internet banking (**AMINI, MUSTAFA, AZIZI, 2011**).

Mobile banking is a part of innovative banking and it reduces cost of banking transaction for the banks as well as it is a revenue source for the telecom service providers. Mobile users have been growing very rapidly and despite the growth of the smartphone phone users and benefits of mobile banking its growth has been short of industry expectations. One of the reasons is initial trust and privacy in the available services. People found mobile banking is riskier than other innovative banking channel so it is important to build confidence to the customer. Banks should offer various assurance programmes to relieve uncertainties associated with the mobile banking usage, to mitigate its perceived risk and to earn people's trust early in the process. It is also important for banks to emphasize on the functional benefits and advantages of mobile banking to expand customer base (**Kim, Shin, Lee, 2007**).

II. RESEARCH METHODOLOGY

The study focuses on the innovative banking research trends. This research follow systematic data processing approach, which comprises of the literature gathering and screening, processing, and writing literature review as an output. A

qualitative research on innovative banking conducted to identify different factors affecting preference for innovative banking. This paper is also used to identify different methodologies used, theoretical models, sampling types, sampling population and areas that need more attention. The selection of paper of the study is limited to journal articles and considered as best medium used by researchers and scholars to share ideas.

III. LITERATURE REVIEW

(Ravindran, Reji Kumar, 2012) examines the factors influencing on decision of early adopters of m-banking services in Kerala, India. Technology Acceptance Model has been used to check customer satisfaction and continuous usage adaptation. There is a strong correlation observed between service quality, satisfaction, and intention to use mobile banking. It has confirmed with the study that after adoption of the technology customer finds more satisfaction on the quality parameter of the service. Perceptions about the trust and risks involved in mobile banking have adverse impact on the service satisfaction. Perceived usefulness and quality is strong predictor than attitude in acceptance intention in TAM.

(Himani Sharma, 2011) highlighted the difficulties encountered by bankers in using E-banking products. There are two significant difficulties in use of E-banking heightened stress and technical bottlenecks. It has observed that like customers, bankers too face difficulty in understanding of E-banking technology. They said that no proper training has been provided to them and bank employees do not know how to operate innovative banking products. This leads to frustration and stress. Foreign banks and private sector bank employees are keeping pace with the technology but problem arises in public sector bank employees.

(Robert, 2013) focused on factors influencing mobile banking adoption. Factors such as Relative advantage, compatibility, complexity, risk and service satisfaction are critical for mobile

banking adoption. Mobile banking adaptation has become lifestyle of people and hence commercial banks are using mobile banking to promote their services. It has been observed that there existed some correlation between the parameters that measured adoption of mobile banking and observability as well as complexity and indicated a weak negative correlation and weak positive correlation respectively.

(Gadda, Day, 2014) observed that worldwide banks use data warehousing for measuring the performance, risk management, profitability analysis and decision support. Implementation of business intelligence capability is an important step for bank to strategically use information technology. Most of the banks in India have implemented core banking system solution for multi-channel service delivery. To have an integrated view of the data banks need to have business intelligence through information technology.

(Narteh, 2012) investigated the challenges of adapting innovative banking services. Most of the banks have adopted innovative ways to combat competition. Innovative banking is one of the significant ways of achieving competitive advantage. Most significant innovative banking service remains ATM and other numerous cards. Most of the banks have implemented telephone banking, SMS alerts and internet banking for their clients. Author has studied as adoption of innovative banking services is below the expectation.

(Sujana, 2011) identified the factors which influence consumers to continue using innovative banking services. The revolution in internet banking has meant that banking activities are no longer to time and geographical locations. Innovative banking products offer 24-hour accessibility to customers. Internet banking provides easier access to bank accounts at lower service charges. It also provides high speed of service with low cost.

(Usman, Shah, 2013) identified critical success factors for preventing E banking fraud. Fraud is an issue, which has experienced by both the customers and banks globally. Fraud occurs because of compromises in the authentication system. It has observed that beyond technology there are other factor that is to be considered like education to the customer and staff. More research would require in this areas.

(Asli, 2011) focused on different channels to gain competitive advantage. Nowadays banks are switching from multi-channel distribution of services to internet channel. Online banking provides number of advantages for banks as well as users. There is no time limitation and customers can perform banking transaction throughout the day. Internet banking has enabled banks to increase their data collection and provide customer service in a better way. As transaction become, online banks can also access creditworthiness of the borrowers.

(Ankit, Radhakrishna, 2013) observed that use of internet banking can accelerate banks' profits over the period. Internet banking in India is still at a primary stage. It is essential for the banks to enhance acceptance and adoption of internet banking for their customers. Apart from perceived ease of use and usefulness, there are other factors, which can affect innovative banking adoption. Customers are reluctant to use innovative banking services because of the risk and privacy issues.

(Fatima, 2011) concluded that internet banking services should be more responsive towards security requirements. Internet banking transaction should have layered protection against security threats. Biometric based authentication is the new solution to address security issues. Using biometric identification for the innovative services can effectively utilize innovative services and it provides effective ways to transact. It highlighted that biometric identification method should have better adopting by the customer.

(Parvin, 2013) studied that banks are playing very important role in the economic development of the country. It has observed that almost all the banks are trying to adopt mobile banking to make their customers satisfied for different innovative service. Customers are satisfied with very few services offered by the banks.

IV. PRESENTATION OF FINDINGS

It has observed form the literatures that banks should launch awareness campaign to educate their employees about the use of innovative banking to make it more effective. Public sector banks have to train staff regarding technology acceptance and better understanding of the product. The banks should improve on information and communication technology infrastructure and conduct workshop for the knowledge of technology. Through innovative banking, banks can also focus on security and ease of using services. Mobile banking has considered as one of the most convenient way of managing finances. In Ghana, inconvenience caused by the mobile banking generally does not affect the customers. A customer who agrees that mobile banking adoption would be more is user who is compatible with the Smartphone. It has observed form the literatures that individuals who say mobile banking is frustrating are less likely to adapt the same. Customer at least tries once a month to mobile banking services. Privacy and trust issues remain major factor for adoption. Customers who are satisfied with the mobile banking services are ready to inform their friends and relatives. The age of the retail, banking customers affect the adoption of the internet banking. Younger customers are more likely to adopt internet banking. It banks want to provide services at the bigger scale; internet banking is the best option.

Managers of banks in promoting their innovative banking services should concentrate on increasing the overall awareness of the program. Corporate and government policies are the key factors in the development of the efficient innovative banking platforms. Laws against cyber-crimes, security and privacy are not strong enough to motivate

customers to use innovative banking. There must be enough ICT professionals in to the banks who will manage the e-banking system to ensure smooth running. Banks should also highlight corporate policies related to e banking services in their marketing strategies to give assurance to customers that they will protect from the theft. Safety and channel related factors were associated with the customers like risk, security, trust, and customization aspect. Consumers' should be motivated to use internet banking as it is very efficient services and we should use it on continuous and frequent basis.

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