

# Customer Perception Towards Online Banking Services

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**Abstract** – The development of information technology in banking has introduced various banking services at customer's door. After the demonetization the introduction and usage of these services has tremendously increased. The previous conducted on online banking reveals that the usage of online banking services is high among the customers of metro cities and educated and its adoptability is less in urban areas. The present study focus on determining the customer's perceptions, problems towards the online banking services in Nandyal region. The respondents represent the account holders of various banks in Nandyal. Convenience sample is used to draw the sample and the data analyzed by using percentage method. The finds of the study helps the banks to improve the necessary changes in their services to attract the customer towards online banking services.

**Keywords** – Online banking, perceived risk, security, promotional measures.

## I. INTRODUCTION

E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products. The concept and scope of e-banking is still in the transitional stage. E-banking has broken the barriers of branch banking.

It became prominently popular during 1960s through electronic funds transfers and credit cards. The concept of web-based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through internet.

### *Evolution of E-banking in India*

Opening up of economy in 1991 marked the entry of foreign banks. They brought new technology with them. Banking products became more and more competitive. There was need for differentiation of products and services. The ICICI Bank kicked off online banking in 1996. 1996 to 1998 marked the adoption phase, while usage increased only in 1999, owing to lower Internet Service Provider (ISP) online charges, increased PC penetration and a tech-friendly atmosphere. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks, as the newly established private sector and foreign banks are leaders in adoption of e-banking. Indian Banks offer to their customers following e-banking products and services:

- Automated Teller Machines (ATMs)

- Internet Banking
- Mobile Banking
- Phone Banking
- Telebanking
- Electronic Clearing Services
- Electronic Clearing Cards
- Smart Cards
- Door Step Banking
- Electronic Fund Transfer

The banking industry has been undergoing changes since the mid 1990s, in the form of innovative use of information technology and development in electronic commerce (Kalakota and Whinston, 1996). This development made e-banking pose as a threat to the traditional branch operations, despite the fact that electronic commerce is still developing and is rapidly changing (Harris and Spence, 2002; Turbin et al. 2002). According to Ozuru et al. (2010) "The importance of electronic payment system in any country can never be over emphasized, due to the dramatic transformation in technological advancements that is being experienced by the global financial industry". They further argued that this new technological development may result to digital money replacing fiduciary currency in some developed countries, for instance, e-money has become legal tender in Singapore since 2008.

## II. REVIEW OF LITERATURE

Gikandi and Bloor, (2009) investigate the factors that influence the adoption and effectiveness of e-commerce in retail businesses in Kenya. Two surveys were carried out (Initial and follow-up) in the years 2005 and 2009, respectively, which involved banks controlling approximately 90% of formal retail banking in Kenya. The purpose of the follow-up surveys is to monitor the trends in 4 years (2005 – 2009). The result shows that there was a drastic shift in the importance attached to some e-banking drivers between years 2005 and 2009. They concludes that e-banking has matured in developed countries, it would be expected that banks in developing countries would learn some lessons from the developed countries and be spared some of the uncertainties undergone by their counterparts in technological development.

Akinci et al. (2004) conducted the study to develop an understanding of consumers' attitudes and adoption of Internet banking among sophisticated consumers. Users and non-users of Internet Banking (IB) were examined based on a random sample differ with respect to academicians, demographic, attitudinal, and behavioral characteristics. The analyses revealed significant differences between the demographic profiles and attitudes

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of users and non-users. They further investigated the IB users and three sub-segments were defined according to a set of bank selection criteria. Finally, based on the similarities between various Web-based bank services, four homogeneous categories of services were defined by the researcher.

Machauer and Morgner (2001) conclude four clusters of German bank consumers. These were “transaction oriented”, “generally interested”, “service oriented”, and “technology opposed” groups. In the USA, Barczak et al. (1997) underlined the consumer motives for use of technologically based banking services and distribution channels and found that customers could be clustered on their money management philosophies. Their results describing four motivational clusters including “security conscious”, “maximizers”, “instant gratification”, and “hassle avoiders” indicated that the four motivational segments had different attitudes and behaviors towards different banking technologies.

Malhotra and Singh (2010) conduct an exploratory study and make effort to present the current status of Internet banking in India and the extent of Internet banking services offered by Internet banks. In addition, it seeks to examine the factors affecting the extent of Internet banking services. The results reveals that the private and foreign Internet banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks. He also highlighted the determinants affecting the extent of Internet banking services, size of the bank, experience of the bank in offering Internet banking, financing pattern and ownership of the bank are found to be significant.

Rod. at al. (2009) examine the relationships among three dimensions of service quality that influence overall internet banking service quality and its subsequent effect on customer satisfaction in a New Zealand banking context. The results show significant relationships among online customer service quality, online information system quality, banking service product quality, overall internet banking service quality and customer satisfaction. Johnston (1997) illustrates that certain actions, such as increasing the speed of processing information and customers, are likely to have an important effect in terms of pleasing customers; however other activities, such as improving the reliability of equipment, will lessen dissatisfaction rather than delight customers and suggests that it is more important to ensure that the dissatisfies are dealt with before the satisfiers.

**III. OBJECTIVES OF THE STUDY**

The following objectives will be investigated from this research.

- i. Reasons of using electronic banking of customers and their satisfaction level.
- ii. Determining the main reasons for resisting electronic banking.

- iii. Determine the customer perception about new electronic banking product and services.
- iv. To offer suggestions to improve the standard of e-banking services.

**IV. RESEARCH METHODOLOGY**

The research was conducted by collecting primary data through structured questionnaire from 200 bank customers who are the users and non users of electronic banking. The respondents are the account holders in various banks like SBI, ICICI, Axis, and Andhra Bank of Nandyal region. These customers were selected by using Convenience Sampling. The number of filled questionnaire received from the respondents is 142. Thus, the response rate is 71%.

**V. DATA ANALYSIS AND INTERPRETATION**

Awareness of E-banking services

Particulars	Yes	No	Total
<b>Gender</b>			
Male	64	27	91
Female	44	7	51
Total	108	34	142
<b>Age</b>			
18-25 years	43	3	46
26- 35 years	39	5	44
35-50 years	15	6	21
>50 years	11	20	31
Total	108	34	142
<b>Income level</b>			
<15,000	12	14	26
15,001-25,000	21	8	29
25,001-35,000	32	8	40
>35,000	43	4	47
Total	108	34	142

From the above table it is found that 76% of the respondents are aware of E-banking services. Regularity of using E-banking services

Particulars	Yes	No	Total
<b>Gender</b>			
Male	67	24	91
Female	47	4	51
Total	114	28	142
<b>Age</b>			
18-25 years	37	4	41
26- 35 years	24	12	36
35-50 years	31	7	38
>50 years	22	5	27
Total	114	28	142
<b>Income level</b>			
<15,000	20	3	23
15,001-25,000	41	12	53
25,001-35,000	33	7	40
>35,000	20	6	26
Total	114	28	142

From the above information it is stated that 80% of respondents are using E-banking services regularly.

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E-banking saves time

Particulars	Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied
<b>Gender</b>					
Male	42	34	7	5	3
Female	32	11	6	2	0
<b>Age</b>					
18-25 years	23	9	3	6	5
26- 35 years	16	12	5	7	2
35-50 years	11	2	0	0	8
>50 years	17	2	4	1	7
<b>Income level</b>					
<15,000	6	8	1	4	7
15,001-25,000	12	8	0	6	3
25,001-35,000	18	8	4	4	6
>35,000	12	19	4	7	5

E-banking services Easy to use

Particulars	Highly satisfied	Satisfied	Neutral	Highly Dissatisfied	Dissatisfied
<b>Gender</b>					
Male	32	32	17	5	5
Female	28	15	4	2	2
<b>Age</b>					
18-25 years	25	7	5	4	4
26- 35 years	16	12	5	7	2
35-50 years	9	2	1	1	8
>50 years	7	12	4	1	7
<b>Income level</b>					
<15,000	7	9	3	4	5
15,001-25,000	11	9	3	2	4
25,001-35,000	16	9	5	4	6
>35,000	11	17	7	6	6

E-banking services provides safety and security

Particulars	Highly satisfied	Satisfied	Neutral	Highly Dissatisfied	Dissatisfied
<b>Gender</b>					
Male	27	32	17	9	6
Female	29	12	4	4	2
<b>Age</b>					
18-25 years	27	7	2	4	5
26- 35 years	15	11	5	7	4
35-50 years	7	2	3	4	5

years					
>50 years	10	9	3	3	6
<b>Income level</b>					
<15,000	10	5	4	4	5
15,001-25,000	2	9	4	11	3
25,001-35,000	7	16	7	6	4
>35,000	10	13	2	12	10

E-banking services provides accurate and updated information

Particulars	Highly satisfied	Satisfied	Neutral	Highly Dissatisfied	Dissatisfied
<b>Gender</b>					
Male	32	32	17	5	5
Female	28	15	4	2	2
<b>Age</b>					
18-25 years	25	7	5	4	4
26- 35 years	16	12	5	7	2
35-50 years	9	2	1	1	8
>50 years	7	12	4	1	7
<b>Income level</b>					
<15,000	10	5	4	4	5
15,001-25,000	2	9	4	11	3
25,001-35,000	7	16	7	6	4
>35,000	10	13	2	12	10

It is found that majority of the customers are using ATM, Credit and Debit card services and online payment of E-banking.

**Conclusion:** The findings of this paper reveals that the customers are preferring to use e-banking services but they are not using services like internet banking, mobile banking, Electronic fund transfer etc because of safety and security measures. It is suggested to the banks to improve the safety measures and give assurance to the customers. It is also recommended to the banks to introduce promotional schemes to stimulate the customers towards adoption of all E-banking services.

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