

AN ANALYSIS OF CONSUMER PERCEPTION TOWARDS E-BANKING: A STUDY ON KOTTAYAM TOWN

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Abstract

Internet banking, or e-banking, has transformed the banking industry by providing customers convenient access to financial services through electronic channels. This shift has reduced reliance on physical branches, allowing users to transact and access information online anytime. E-banking encompasses various electronic communication channels, enabling interactions between financial institutions and customers via the Internet, ATMs, kiosks, and mobile devices. Two primary types of Internet banking exist: informational and transactional. Informational websites provide account details and updates, while transactional sites facilitate financial transactions like fund transfers and bill payments. Central banks like Citibank exemplify this integration of online and traditional banking services, offering advanced features such as financial calculators and brokerage services. Factors like cost-effectiveness, customer demand for convenience, and technological advancements have driven the adoption of e-banking. Challenges include security concerns and the need for a robust infrastructure to support electronic transactions securely. Despite these challenges, the popularity of e-banking continues to grow, supported by regulatory advancements and evolving consumer preferences. Research on e-banking has explored user perceptions, satisfaction levels, and barriers to adoption, revealing a strong preference among younger demographics and businesses. Future trends suggest continued innovation in security measures and service enhancements to integrate e-banking into daily financial activities further. In conclusion, e-banking represents a pivotal shift in banking practices, offering efficiency, convenience, and broader accessibility, thereby shaping the future of financial services globally.

The keywords - Internet banking, e-banking, electronic channels, e-transactions, reforms in e-banking, customer preferences

INTRODUCTION OF E-BANKING

Internet banking is revolutionizing the banking industry and significantly impacting banking relationships. Banking is no longer limited to physical branches where customers must go in person to withdraw cash, deposit checks, or request account statements. With true Internet banking, all inquiries and transactions are handled online without needing to visit a branch anytime. Internet banking is increasingly becoming a necessity rather than just a convenience.

E-banking is the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. This

includes systems that allow financial institutions, consumers, individuals, or businesses to access accounts, conduct transactions, or obtain information about financial products and services via public or private networks, including the Internet. Consumers can access e-banking services using intelligent electronic devices like personal computers, digital assistants, ATMs, kiosks, or telephones. Although the risks and controls are similar across various e-banking access channels, this discussion focuses specifically on Internet-based services due to the Internet's broad accessibility.

There are two primary types of Internet banking websites: informational and transactional. E-banking can be offered in two main ways: an existing bank with physical offices can establish an online presence to provide e-banking services alongside its traditional services. For example, Citibank is a leader in e-banking, providing face-to-face banking at its branches worldwide and e-banking services through the Internet. Citibank customers can access their accounts online, and besides core e-banking services like balance inquiries, fund transfers, and electronic bill payments, they can also enjoy premium services such as financial calculators, online stock quotes, brokerage services, and insurance.

On October 1, 2000, the electronic signatures bill took effect, recognizing online signed documents as legally binding. Some banks plan to introduce electronic checks once security measures are resolved. The range of e-banking services is expected to grow, with plans to introduce electronic money and checks. For small online purchases, electronic money can be stored in computers or intelligent cards. Electronic checks, resembling paper checks, can be sent from buyers to sellers over the Internet, endorsed electronically, and forwarded to the seller's bank for electronic collection from the buyer's bank. Banks also aim to offer more products and services, such as insurance and mortgages, through e-banking.

In summary, true Internet banking allows all transactions and inquiries to be processed online without reference to a branch. As a result, internet banking is now essential rather than merely convenient. In many developed countries, net banking has become the norm, primarily because it is the most cost-effective way to provide banking services. Banks consistently embrace technology to enhance their products, services, and efficiency.

Types of E-Banking

The common assumption is that Internet banking is the only online banking method. However, this is not strictly the case, as several types of services are currently available:

PC Banking: The precursor to Internet banking has existed since the late 1980s and remains widely used today. Individual banks provide software that is installed on an SME's office computer. The SME can then access their bank account through a modem and telephone link to the bank without needing internet access.

Internet Banking: Using a web browser, a user can access their accounts once the bank's application server has validated the user's identity.

Internet Banking can be split into two distinct groups:

- Traditional banks and building societies use the Internet as an add-on service to give businesses access to their account.
- New internet-only banks have no brick-and-mortar presence on the high street. Therefore, they have lower overheads and can offer higher interest rates and lower charges.

Features of Internet Banking

An online bank account offers similar features to those available through phone banking or visiting a local branch. While online banking features can vary between banks, they typically include:

- Transferring funds between accounts
- Enhancing efficiency in customer relationship management (CRM)
- Paying bills
- Introducing new and innovative products and services
- Viewing balances and statements
- Providing door-to-door services
- Creating, viewing, and maintaining standing orders
- Keeping up with global evolutionary trends

Emerging Challenges

Information technology analyst firm the Meta Group recently reported that "financial institutions who don't offer home banking by the year 2000 will become marginalized." By 2002, a large, sophisticated, and highly competitive Internet banking market is expected to develop, driven by the following:

- Demand-side pressure due to increasing access to low-cost electronic services.
- I am emerging open standards for banking functionality.
- Growing customer awareness and need for transparency.
- Global players are entering the market.
- Close integration of banking services with web-based e-commerce or even disintermediation of services through direct electronic payments.
- More convenient international transactions such as the Internet and general deregulation trends eliminate geographic boundaries.
- A shift from one-stop shopping to a banking portfolio, i.e., unbundled product purchases.

Some existing brick-and-mortar banks may go out of business because they need to respond to the challenges posed by the Internet. However, the Internet and its underlying technologies will transform not just banking but all aspects of finance and commerce. It represents much more than a new distribution opportunity; it will enable agile players to leverage their physical presence to improve customer satisfaction and gain market share.

Review of Literature

Anthony's (2004) research in "User-Friendly E-Banking" surveys online e-banking retail initiatives, emphasizing usability. Published in Communications of the ACM, the study explores how banks enhance user experience in digital banking environments, which is crucial for attracting and retaining customers in the evolving landscape of electronic financial services.

Asghar's (2004) paper "Banking in a Cloud of Electrons" likely discusses the transformation of banking into digital formats, reflecting on the shift from traditional to electronic banking services and its implications on the industry and consumers.

Awamleh (2006) explores the spread of Internet banking among educated consumers in a high-income, non-OECD country. Published in the Journal of Internet Banking and Commerce, the study likely examines factors influencing adoption rates and the impact of Internet banking on consumer behaviour in affluent non-OECD nations.

Azouzi (2009) investigates the adoption of electronic banking in Tunisia. Published in the Journal of Internet Banking and Commerce, the study likely examines factors contributing to adopting electronic banking services, challenges faced, and implications for banking practices in Tunisia's evolving digital landscape.

Bauer, Hans, Maik, H., and Falk, T. (2006) focus on "Measuring the quality of e-banking portals." Published in the International Journal of Bank Marketing, the study likely presents methodologies for assessing electronic banking portals' effectiveness and user satisfaction, which is essential for enhancing service delivery and competitiveness in the banking sector.

Dizon, Javier A. (2009) discusses a "Special Feature: Electronic Banking." This publication likely explores unique aspects or developments within electronic banking, offering insights into emerging trends, technologies, or strategic innovations shaping the banking industry's digital transformation during that period.

In 2010, IIT Madras collaborated with Polaris Software and IndusInd Bank to launch the "INTELLECT PRIVACY Internet Banking Security Card," as reported by PR Newswire. This initiative likely introduced a new security measure to enhance privacy and security for Internet banking users, reflecting ongoing advancements in digital banking security technologies.

Kuang Hsun (2008) investigates "Is E-Banking A Competitive Weapon" in the International Journal of Electronic Finance, likely discussing how electronic banking is a strategic advantage in the competitive financial services landscape. The study may explore how banks leverage e-banking to enhance market positioning, customer acquisition, and operational efficiency.

Laukkanen, P., Sinkkonen, S., & Laukkanen, T. (2008) examine "Consumer resistance to Internet banking: postponers, opponents, and rejecters" in The International Journal of Bank Marketing. The study likely categorizes why consumers delay, oppose, or reject Internet banking, shedding light on barriers to adoption and strategies to overcome them in the financial sector.

Malhotra and Singh (2007) explore the "Determinants of Internet Banking adoption by banks in India" in the Journal of Internet Research, published by Emerald Group Publishing Ltd. The study likely identifies factors influencing Indian banks' decisions to adopt Internet banking, offering insights into the strategic considerations and challenges within India's evolving digital banking landscape.

Agarwal, R., Rastogi, S., & Malhotra, A. (2009) examine "Customers' perspectives regarding e-banking in an emerging economy" in the Journal of Retailing and Consumer Services. This study likely investigates consumer attitudes, preferences, and challenges related to e-banking in emerging economies, providing insights into the adoption and usage patterns crucial for financial service providers in these markets.

Research Methodology

Research is defined as human activity involving intellectual application in investigating various matters. The primary purpose of applied research is to discover, interpret, and develop methods and systems to advance human knowledge across a wide range of scientific subjects concerning our world and the universe. "research" also refers to the comprehensive collection of information on a particular topic.

Methodology refers to the systematic approach followed while studying a specific project. This methodology includes the research methods and the rationale behind using these methods. It involves performing a structured study based on which the report is produced and explains why particular methods or techniques were employed in the study context.

Objectives of the Research

- To examine the factors influencing customers' perceptions of e-banking.
- To determine the satisfaction levels of customers with e-banking services.
- To identify the main issues customers, experience when using e-banking services.

Types of Research

This study is **descriptive**. It helps break down vague problems into minor, more precise issues and focuses on discovering new ideas and insights.

Why This Research?

An online survey describes situations using a descriptive research method, producing conclusive data due to its quantitative nature. Unlike exploratory research, descriptive research is methodically planned, designed, and formatted to collect quantitative data. Grouping responses into set choices provides statistically conclusive data, allowing measurement of the significance of the results on the overall population and tracking changes in reactions, options, attitudes, and behaviours over time.

Research Design

Research design is the blueprint for data collection, measurement, and analysis. This study aims to identify the extent of preferences for e-banking over traditional banking among various service classes. The research design is descriptive. The study was conducted with customers from multiple banks. A convenient sampling method was used to select samples, and an effort was made to include all age groups and genders.

Sampling Size

The sample size indicates the number of people surveyed. Although larger samples yield more reliable results, the sample size was limited to 130 respondents due to time and money constraints. These respondents belonged to different age groups.

Data Collection

To collect all relevant information regarding the extent of customers' awareness and use of e-banking facilities offered by banks, Google Forms was used to gather data due to the COVID-19 pandemic.

Secondary Data

- Articles on e-banking from journals and magazines are published periodically.
- Information gathered through the internet.

Primary Data

A questionnaire was used to collect primary data from respondents. The questionnaire was structured and included questions related to different aspects of e-banking preferences among the service class, such as the level of usage, factors influencing the use of e-banking services, benefits to the user, and problems encountered. An attempt was also made to elicit reasons for non-usage. The questions in the questionnaire were open-ended, dichotomous, and offered multiple choices.

Findings

- Our study reveals that 56 males and 74 females use e-banking, with females demonstrating more excellent knowledge about transactions and banking services.
- Most respondents using e-banking services are aged 20-30, with nearly 75.4% utilizing these services due to familiarity.
- Most respondents are students who use e-banking services, as they understand the benefits well.
- The survey found 82 respondents, accounting for 63.1%, are SBI users, possibly because it is a government bank.
- The frequency of e-banking usage is very high among individuals today, with 21.5% using the services weekly and 39.2% using them monthly.
- Of the selected population, 81 people agree, and 34 strongly agree that e-banking saves them time compared to visiting a branch in person.
- About 66.2% find e-banking services convenient.

- Almost 73.8% feel that mobile banking apps provide easy access to all banking services, and approximately 80% would encourage others to use e-banking. However, loyalty to their current banks is low; many are willing to switch banks for better services.
- Regarding sharing bank-related data online, 44.6% feel comfortable sharing their information, and 76.2% believe their data is protected. Only 18.5% disagree, feeling their data is at risk.
- Our interpretation indicates that e-banking is widely adopted and preferred, with nearly 90% of people satisfied with the services. Many appreciate not having to visit banks and trust that their banks will provide support in case of any issues.

Conclusion

This study aimed to uncover the primary reasons behind adopting e-banking services. The findings reveal that despite numerous advantages, people still view online banking as an alternative for reviewing their bank records. Although nearly every bank offers online banking, most users access it only once weekly. This infrequency is attributed to the limited interpersonal interaction with customers in Internet banking. Understanding and measuring customer expectations regarding Internet banking services and their associated quality dimensions is crucial. The main factors driving people to use online banking are comfort, convenience, and the availability of quality information. Therefore, implementing quality initiatives should involve defining customer needs and preferences and their related quality dimensions. Significant reforms are still required in the banking system to educate and train customers in using Internet banking effectively for their accounts. From the survey, it is evident that a primary concern among customers is the fear of account hacking, which deters them from adopting Internet banking. Banks are trying to enhance security options, including offering free internet banking services to attract customers. According to bank employees, most Internet banking account holders are youth and businessmen. E-banking is an innovative tool rapidly becoming essential in today's competitive banking landscape. Proper customer training by bank employees on account setup and user-friendly website interfaces for first-time users are crucial steps. Looking ahead, advancements in technology to ensure the safety and privacy of e-transactions, along with RBI guidelines on various aspects of Internet banking, will undoubtedly foster rapid growth in Internet banking adoption in India.

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