

A STUDY ON CUSTOMER PREFERENCES AND SATISFACTION TOWARDS INTERNET BANKING IN CHENNAI

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ABSTRACT

Internet Banking is the latest in the series of technological wonders of the recent past. Banks recognized that the Internet opens up new horizons and moves them from local to global frontiers. Internet Banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations. This study is needed to offer appropriate knowledge about various aspects of Internet Banking services. It will be of immense use to know the need of Internet Banking because, in future all banking activities will transform to Internet banking and each and every individual should be aware of this transformation.

Key Words: E-Commerce, Internet Banking, Banking Services, Satisfaction, IRCTC, NEFT / RTGS.

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INTRODUCTION

Banking plays a very important role in the economic life of the nation. The strength of the economy depends on the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way, banks become beneficial partners in the process of economic development.

The traditional banking system started with accepting of deposits and lending the advances, which are now going ahead and to do new innovations. Today, banks are no longer restricting themselves to traditional banking activities, but are exploring newer avenues to increase business and capture new markets. When the business and commerce tend to take the electronic modes, banking can never remain isolated.

The growth and expansion of Internet and Information technology have facilitated the emergence of E-Commerce. Internet became a media, not only for communication but for business transactions also leading to E-Commerce. In E-Commerce, all commercial transactions i.e. buying, selling, dealing etc. are carried through electronic devices. E-Commerce essentially is the paperless exchange of business information spread through computer devices like Electronic Data Interchange, E-mail and Electronic Bulletin Boards. In short the tools such as Internet, Intranet and Extranets are created under the network based technologies.

The concept of E-Banking came into existence with the innovation of internet. As the popularity of personal computers increased and there was easy access to internet and World Wide Web, banks started using these technologies for receiving instructions and delivering their products and services to the customers.

E-Banking automates all the traditional banking activities which has made banking transactions much easier and convenient, thus leading to higher productivity and profitability. E-Banking is the elimination of paper based transactions and radical change in the banking operations. Hence, E-Banking implies performing basic banking transactions by customers round the clock globally

through electronic media. E-banking is more of a science than art and it is knowledge based. One of the widespread electronic channels of E-Banking is Internet Banking.

INTERNET BANKING

Internet Banking is the latest in the series of technological wonders of the recent past. Banks recognized that the Internet opens up new horizons and moves them from local to global frontiers. Internet Banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations. Such products and services include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment and the provision of other electronic payment products and services such as electronic money. Laukkanen (2007) concur that banking is one of the areas most attracted by the Internet and has undergone changes unprecedented in the history of financial services. According to Wang (2003), the Internet technology is rapidly changing the design and delivery of personal financial services.

INTERNET BANKING IN INDIA

Internet banking as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is progressing in India as more and more banks enter the fray. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled. Online banking or Internet banking allows customers of a financial institution to conduct financial transactions on a secure website.

The concept of Online Banking was first brought in when the Governor, Reserve Bank of India appointed a Committee under Shri. W.S. Saraf, to look into technological issues relating to payment system and to make recommendations for widening the use of modern technology in the banking industry. The Saraf Committee recommended introduction of Electronic Funds Transfer Systems in India. It also reviewed the telecommunication system like use of Bank net and optimum utilization of SWIFT by the banks in India. The Sphere Committee in 1995 had recommended framing of RBI (EFT system) Regulations under Section 58 of the Reserve Bank of India Act, 1934 (RBI Act), amendments to the RBI Act and to the Bankers' Books Evidence

Act, 1891 as short term measures and enacting of a few new Acts such as the Electronic Funds Transfer Act, the Computer Misuse and Data Protection Act.

Internet banking in India began taking roots from the early 2000. ICICI Bank was the pioneer to introduce Internet Banking and later Citibank, HDFC Bank and other banks followed the suit, Public Sector banks have lagged far behind in adoption of the Internet Banking facilities, but State Bank of India, which entered the arena of ATM banking quite late, was able to expand at a rapid pace and cover almost all the cities of India. In 2001, a survey conducted by the Reserve Bank of India revealed that of 46 major banks operating in India offered nearly 50% of the services through internet banking at various levels. While in 2009 about 56 banks in the country are providing e-banking facilities. Out of these 56, majority are the Private Sector and Foreign Banks. The number and level of services offered by Modern Banks are increasing day by day. Today banks are valuable for the utilization of the resources of the country. As of 2013, there are more than 15 million online banking users in India. The recent statistics reveal that around 34 million people are using Internet banking.

Banks in India are at different stages of the web-enabled banking cycle. Initially, a bank, which is not having a web site, allows its customer to communicate with it through an e-mail address, communication is limited to a small number of branches and offices which have access to this e-mail account. With gradual adoption of Information Technology, the bank puts up a website that provides general information of the banks, its location, services available e.g. loan and deposits products, application forms for downloading and e-mail option for enquiries and feedback. Some of the banks permit customers to interact with them and transact electronically with them. Certain banks like ICICI Bank Ltd., have gone a step further within the transactional stage of Internet banking by allowing transfer of funds by an account holder to any other account holder of the bank.

Some of the aggressive players in this area such as ICICI Bank Ltd., HDFC Bank Ltd, UTI Bank Ltd., Citibank, Global Trust Bank Ltd. and Bank of Punjab Ltd. offer the facility of receipt, review and payment of bills on-line. These banks have tied up with a number of utility

companies. The first online real time ecommerce credit card transaction in the country as carried out on the Easy3shoppe.com shopping mall, enabled by HDFC Bank Ltd. on a VISA card.

Banks like ICICI, HDFC are looking to position themselves as one stop financial shops. These banks have tied up with computer training companies, computer manufacturers, Internet Services Providers and portals for expanding their Net banking services, and widening their customer base.

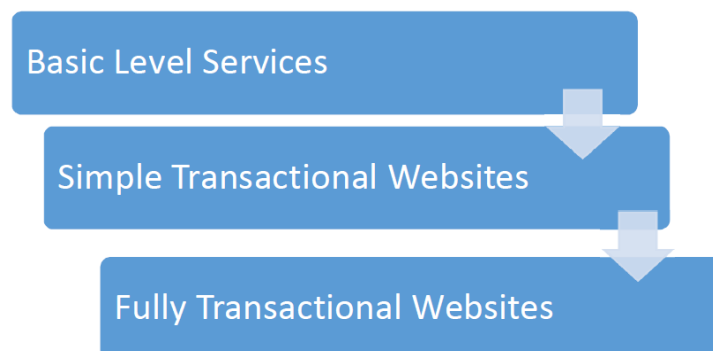
LEVELS OF INTERNET BANKING SERVICES

Internet banking services are offered in three levels:

1. The Basic Level Service is the Bank Websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail.
2. In the second level are Simple Level Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc. but do not permit any fund-based transactions on their accounts.
3. The third level of Internet Banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payments of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc.

Figure 1

Levels of Banking Services offered by the Internet



SERVICES OFFERED BY INTERNET BANKING

Internet Banking Services allow customers to access their accounts online. Customers attached to a bank portal and can check their accounts and do bank transfers from any computer connected to

the Internet. In order to ensure a highlevel of security, Internet banking is developed on an infrastructure complyingwith the international information security standards.The services available online vary from bank to bank. These are some ofthe common services offered by banks are:

1. View Account Details/Balance
2. Download Account Statement
3. Request for Stopping the Cheque Payment
4. Request for Cheque book
5. Create Fixed Deposit
6. View Credit Card Details
7. Pay Credit Card Bills
8. Redeem Debit Card loyalty points
9. View Demat Account Details
10. Our Portfolio Summary/Snapshot
11. Apply for IPO Online
12. View Loan A/C Details
13. Mail Facility
14. Edit Personal Profile Details
15. Recharge your Prepaid Mobile & DTH Connections
16. Invest in Mutual Funds Online
17. Pay bills to providers of utility services like electricity, telephone andpost-paid mobile
18. Downloading Tax payment acknowledgement
19. Send money order anytime and get it door-delivered to any destinationin India
20. Request a Debit Card
21. Pay school/institutional fee
22. Pay Central & State Govt Taxes
23. Block ATM Card
24. Book Rail Ticket – IRCTC
25. Transfer of funds to other bank accounts in India throughNEFT/RTGS

UTILITIES OF INTERNET BANKING

- It is quite convenient to pay the bills, to transfer funds between accounts, to pay the central and state taxes etc. Now it is not necessary to stand in a queue to pay off the bills and to safeguards the receipts.
- Since the Internet Banking services are offered 24/7. It is helpful for the customers to perform the tasks from anywhere and at any time.
- Funds get transferred from one account to the other quickly which helps to manage several accounts easily through internet banking.
- Internet banking offers banks, an opportunity to improve their customer service by collecting and managing information pertaining to their customers and their individualistic preferences.
- Internet banking also provides an opportunity to build on their relationships with their existing customers. (e.g), bank Web portals could offer purchasing services for business travel or insurance to generate more revenue.
- Internet banking is an opportunity for banks to reduce their overhead costs as the need for physical branches is drastically cut down. The running cost of an ordinary bank account is 50-60 per cent of their revenues, whereas the running cost of Internet banking is just 15-20 per cent of revenues. (e.g), In India, Net banking is estimated to cost just INR 2 per transaction compared to the INR 43 incurred while banking at the branch.
- Internet banking helps to provide global market to the national products and services, promotes exports and increase inflow of foreign exchange.

NEED AND IMPORTANCE OF THE STUDY

This study is needed to offer appropriate knowledge about various aspects of Internet Banking services. It will be of immense use to know the need of Internet Banking because, in future all banking activities will transform to Internet banking and each and every individual should be aware of this transformation. This particular study about Customer Preferences and Satisfaction towards Internet banking will make us realize the value of this topic by looking at the enhancement level of banks in Chennai which have adopted Internet Banking Services. This study is an attempt to evaluate the necessary requirements and discuss the steps that need to be taken in order to measure and track customer preferences and level of satisfaction.

OBJECTIVE OF THE STUDY

The following objective were framed after a comprehensive insight into the diverse extensive literature and taking leads from the various studies conducted hitherto, for the verification of the present investigation:

- To identify the factors influencing Customers' Perception, Preferences and Adoption of Internet Banking Services

RESEARCH METHODOLOGY

The methodology of the study is based on the primary data collected through structured questionnaires to elicit the opinions of both public sector and private sector bank customers and personnel. Convenient Sampling method has been used to collect the responses from bank customers. The study has been conducted in two stages format, with a preliminary pilot study followed by the main study. The study has been conducted among the customers of Public and Private Sector Banks in Chennai city in Tamilnadu.

Data Collection

Based on the pilot study results, 600 questionnaires were distributed to the customers of Public and Private sector Banks. The numbers of responses collected after consistent follow up were 542. The remaining 58 customers failed to return their filled in questionnaires. The total responses suitable for data analysis work were 522 out of which the Public-sector customers were 320 and Private sector customers were 202. Therefore, the exact sample size for this study collected through the questionnaire is 522.

LEVEL OF SATISFACTION IN EXPERIENCING INTERNET BANKING SERVICES

The banking customers are influenced to avail Internet banking services due to the significance and features associated with internet banking services. The banking practices through internet banking channel brings various ranges of experiences among the customers. Such experiences help the customers to derive their level of satisfaction on internet banking services and products. In this study the level of satisfaction derived by the customers in using internet banking services are identified through 20 statements. The sample t-test is applied on twenty variables. This test is performed with the test value 3 and the following results are obtained.

Table 1**One- Sample Statistics and t-test for level of satisfaction in experiencing Internet Banking Services**

Influencing Variables	N	Mean	Std. Deviation	Std. Error Mean	Test Value = 3	
					t	Sig. (2-tailed)
Easy to access	522	4.0733	1.15332	0.09417	11.398	0.000
Ease of use	522	4.0867	1.04872	0.08563	12.691	0.000
At anytime service	522	3.9933	1.08990	0.08899	11.162	0.000
At anywhere service	522	3.9533	1.16052	0.09476	10.061	0.000
On any day service	522	3.9533	1.18342	0.09663	9.866	0.000
Instant result of transaction on screen	522	3.8867	1.11450	0.09100	9.744	0.000
Efficient service	522	3.8533	1.11359	0.09092	9.385	0.000
Effective service	522	3.8733	1.12505	0.09186	9.507	0.000
Reduced transaction cost	522	3.8133	1.15501	0.09431	8.624	0.000
Free from cash carry transactions	522	3.9000	1.15131	0.09400	9.574	0.000
Safety	522	3.9333	1.12725	0.09204	10.141	0.000
Privacy	522	3.9667	1.13171	0.09240	10.461	0.000
Saves time	522	3.9933	1.12026	0.09147	10.860	0.000
Saves energy	522	4.0133	1.12915	0.09220	10.991	0.000
User-friendly	522	3.9533	1.09506	0.08941	10.662	0.000
Availability of multifarious services at one's convenient place	522	3.9800	1.13202	0.09243	10.603	0.000
Menu display in preferred language on Personal Computer Screen	522	3.9267	1.17637	0.09605	9.648	0.000
Menu display in preferred	522	3.9667	1.14936	0.09384	10.301	0.000

format onPersonal ComputerScreen						
Trust worthy	522	3.9467	1.12796	0.09210	10.279	0.000
Minimizes risk intractions	522	3.8533	1.18371	0.09665	8.829	0.000

Source: Computed data

From the above Table 1, it is observed that the mean values for 20 variables of internet banking services range from 3.8133 to 4.0867 and standard deviation are consistent along with computed standard error values. The mean values are greater than 3 and standard deviations are less than 2. This shows that the responses are consistent and the t-values are computed for all the 20 variables. The significance of the mean is checked by one sample t-test. The findings thereon are also shown in the above Table 1.

It is indicated that the t- values for easy to access ($t=11.398$, $p=0.000$), ease of use ($t=12.691$, $p=0.000$), at anytime service ($t=11.162$, $p=0.000$), at anywhere service ($t=10.061$, $p=0.000$), on any day service ($t=9.866$, $p=0.000$), instant result of transaction on screen ($t=9.744$, $p=0.000$), efficient service ($t=9.385$, $p=0.000$), effective service ($t=9.507$, $p=0.000$), reduced transaction cost ($t=8.624$, $p=0.000$), free from cash carry transactions ($t=9.574$, $p=0.000$), safety ($t=10.141$, $p=0.000$), privacy ($t=10.461$, $p=0.000$), saves time ($t=10.860$, $p=0.000$), saves energy ($t=10.991$, $p=0.000$), user-friendly ($t=10.662$, $p=0.000$), availability of multifarious services at one's convenient place ($t=10.603$, $p=0.000$), menu display in preferred language on personal computer screen ($t=9.648$, $p=0.000$), menu display in preferred format on personal computer screen ($t=10.301$, $p=0.000$), trust-worthy ($t=10.279$, $p=0.000$) and minimizes risk in transactions ($t=8.829$, $p=0.000$) are statistically significant at 5% level (i.e. 0.000).

This indicates that the banking customers in general are highly satisfied with Internet banking services whose mean values are more than 4 namely ease to access, ease of use and saves energy. This further indicates that the customers in general moderately satisfied with services whose mean values are more than 3 but less than 4 namely at any time service, at anywhere service, on any day service, instant result of transaction on screen, efficient service, effective service, reduced transaction cost, free from cash carry transactions, safety, privacy, saves time, user-friendly, availability of multifarious services at one's convenient place, menu display in preferred

language on personal computer screen, menu display in preferred format on personal computer screen, trust-worthy and minimizes risk in transactions.

FACTOR ANALYSIS FOR THE LEVEL OF SATISFACTION DERIVED BY THE CUSTOMERS USING INTERNET BANKING SERVICES

The Factor Analysis by Principal Component Method is applied on 20 dependent variables of level of satisfaction of internet banking services to identify and to segment them into 4 meaningful predominant continuous factors that lead to customer satisfaction level. The level of customer satisfaction on internet banking services is ascertained through these twenty variables using Likert 5-point scale which ranges from 'Highly Satisfied' to 'Highly Dissatisfied' with the intervening levels being Satisfied, Neutral and Dissatisfied. The Factor Analysis clearly brought the following results.

Table 2

KMO and Bartlett's Test and Communalities – Level of Satisfaction of Internet Banking Services

KMO and Bartlett's Test		Communalities – Internet Banking	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.92	Influencing Variables	Extraction
Bartlett's Test of Sphericity		1. Easy to access	0.811
Approx. Chi-Square	4552.349	2. Ease of use	0.868
df	190	3. At anytime service	0.857
Sig.	0.00	4. At anywhere service	0.769
		5. On any day service	0.883
		6. Instant result of transaction on Screen	0.823
		7. Efficient service	0.846
		8. Effective service	0.855
		9. Reduced transaction cost	0.838
		10. Free from cash carry	0.856

	transactions	
	11. Safety	0.871
	12. Privacy	0.876
	13. Saves time	0.910
	14. Saves energy	0.832
	15. User-friendly	0.885
	16. Availability of multifarious services at one's convenient place	0.890
	17. Menu display in preferred language on Personal Computer Screen	0.872
	18. Menu display in preferred format on Personal Computer Screen	0.910
	19. Trust worthy	0.925
	20. Minimizes risk in transactions	0.866

Extraction Method: Principal Component Analysis.

Source: Computed data

From the above Table 2, it is inferred that the KMO measure of sampling adequacy is 0.920 and Bartlett's Test of Sphericity with approximate Chi-square value is 4552.349. These are statistically significant at 5% level. This concludes that the sample size is adequate for the 20 variables of customer satisfaction of Internet banking services to transform into predominant factors. The above 'communalities table' reveals the variance range. It is shown that the variance ranges from 0.769 to 0.925. This implies that the variance ranges from 76.9% to 92.5% which is more appropriate for factor segmentation.

FINDINGS OF THE STUDY

The customers of commercial banks perceived that the internet banking services depends upon five factors quick service, service performance, innovative service, user friendly and time saving service. They also perceived that internet banking services are able to serve them quickly and

efficiently to meet all the banking transactions. The innovations involved in the internet banking services attracted many customers to avail the internet banking services. The user-friendliness of internet banking services considerably reduced the precious time of customers.

The customers of public and private sector banks preferred perfect service, accuracy, efficient service and task accomplishment through internet banking services. They expect that all their banking transactions must be perfectly accomplished with considerable quickness. They also choose efficiency of service in the accomplishment of their banking transactions.

The bank customers proposed that the three factors trust and openness, privacy and service quality determine the adoption of internet banking services. It is found that the trust and openness in the banking transactions induce the customers to adopt the internet banking services. Further it is identified that customers expect the assurance of full privacy and best service from the service providers before adopting the internet banking services. The factors of customer's perception, preferences and adoption towards Internet Banking differ significantly.

The sample unit consists of 44.40% of cost-oriented customers with strong agreement for Internet Banking Service Performance, Innovative Service, Time-Saving Service and moderately agree towards quick service and user-friendly. It is found that 31.40% of them are improvement seekers, moderately agreeing for service performance, innovative service, user-friendly, time-saving service and disagree with quick services provided by internet banking. The sample unit also consists of 24.27% are demanding customers who strongly agree towards all the five services provided by the internet banking.

There is a deep association between customer perception on internet banking services such as downloading the account statement, request to stop cheque payment, request for cheque book facility, creating fixed deposit and viewing the credit card details offered by internet banking.

It is found that the customer perception on internet banking services is significantly associated with paying the credit card bills services, redeeming debit card loyalty points facility, viewing the demat account details, portfolio summary snapshot facility offered and availing the services of internet banking for applying IPO online.

The availing of services such as viewing the loan account details, mailing facility services, editing the personal profile, investing in mutual fund online and sending money orders anytime and get it door-delivered to any destination in India are well associated with customer perception on internet banking services. The usage of internet banking services in paying school/institutional fee, paying central and state government taxes, blocking ATM card, booking rail ticket– IRCTC and transferring their funds to other banks account in India through NEFT/RTGS depends upon customer perception towards internet banking services.

CONCLUSION

Internet banking services has fundamentally changed the business of banking by scaling borders and bringing about new opportunities and by significantly reducing costs of delivery and transaction it has gained closer access to customers. Technology, People and Customers are the three tripods on which the banking industry rests. Satisfied customers are the important key factors for long-lasting success concerning to Internet Banking. Customer satisfaction is undisputedly one of the key criteria for evaluating the performance of a bank.

Most modern alternative delivery channels in the Internet Banking, are playing a key role in delivering products and services effectively and efficiently to customers at their convenience. They enable banks in cost-effective ways to deliver products to customers compared to traditional “Brick and Mortar” branch networks. Banks must be innovative and should match the customer expectations. Delivering quality services to customers is must for gaining highest satisfaction among the customers and for success and survival in today’s competitive banking environment. Banks will have to monitor the changing consumer behavior and accordingly, bring change in product, price and channel so as to offer excellent product and customized service on continuing basis. There is also a need for constant innovation in the banking sectors which acknowledge the customer needs, in designing and delivering services with technical superiority. If all of these suggestions are considered, the banks will undoubtedly reap success.

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