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# **CUSTOMER PERCEPTIONS TOWARDS INTERNET BANKING: A study on Public Sector Banks with reference to West Godavari District**

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## **ABSTRACT**

Internet banking is the remote delivery of new and traditional banking products and services through electronic channels. It allows customers to conduct financial transactions on a secure website which can be retail or virtual bank. This paper sought to provide empirical evidence regarding reasons for using internet banking and customer satisfaction with internet banking. It evaluated customer satisfaction with internet banking service at Public sector banks in West Godavari District. The study guides by the following specific objectives; To probe into the reasons for using Internet Banking; To explore customer suggestions for effective Internet Banking services in Selected Public Sector Banks. The literature review evaluated internet banking and customer satisfaction based onvarious authors which sought to evaluate. Finally, the study concludes that there is no significant difference in the reasons for using internet banking services offered by the bank, and the suggestions given for the effectiveness of internet banking services with respect to Gender, religion, marital status and occupation. Whereas, a significant difference was found at 0.01 level with regard to caste, age, educational qualification and income.

**Key words:** Internet Banking (IB), Customer Satisfaction, etc.

## **Introduction**

Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. They have, over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc. and the devices include telephone, Personal Computers including the Automated Teller Machines, etc. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and



delivering their products and services to their customers. This form of banking is generally referred to as Internet Banking, although the range of products and services offered by different banks vary widely both in their content and sophistication.

Broadly, the levels of banking services offered through Internet can be categorized in to three types: (i) The Basic Level Service is the banks' 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, (ii) In the next level are Simple 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, (iii) 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, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc.

### **Literature Review:**

Pikkarainen *et al.* (2004) define e-banking as an internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments. With the exception of cash withdrawals, e-banking gives customers access to almost any type of banking transaction at the click of a mouse (De Young, 2001). Indeed the use of the internet as a new alternative channel for the distribution of financial services has become a competitive necessity instead of just a way to achieve competitive advantage with the advent of globalization and fiercer competition (Flavián *et al.* 2004).

Banks use online banking as it is one of the cheapest delivery channels for banking products (Pikkarainen *et al.* 2004). Such service also saves the time and money of the bank with an added benefit of minimizing the likelihood of committing errors by bank tellers (Jayawardhena, 2000). (Robinson, 2000) believes that the supply of e-banking services enables banks to establish and extend their relationship with the customers. There are other numerous advantages to banks offered by online banking such as mass customization to suit the likes of each user, innovation of new products and services, more effective marketing and communication at lower costs (Tuchilla, 2000), development of non-core products such as insurance and stock brokerage as an expansion strategy, improved market image, better and quicker response to market evolution (Jayawardhena and Foley, 2000). The value proposition however, is a significant increase in the intangible item



which is customer satisfaction. The increase translates into improved customer loyalty that in result in higher customer retention and growing organization value. E-banking is a lower-cost delivery channel and a way to increase sales. Internet banking services has become one of the most important factors in the business economy today. The dimension considered in e-banking towards customers satisfaction based on e-service quality model of (Cristobal, 2007) will be used.

### **Objectives of the study**

- 1) To probe into the reasons for using Internet Banking.
- 2) To explore customer suggestions for effective Internet Banking services in Selected Public Sector Banks.

### **Hypotheses of the Study**

Based on the above objectives the following hypotheses are formulated.

- 1) Socio-demographic variables don't have significant influence on customers for using Internet Banking.
- 2) Socio-demographic variables don't have significant influence on customers' suggestions for effective Internet Banking services.

### **Methodology of the study**

The present study is an empirical one which is based on primary and secondary data. The questionnaire has been finalised after conducting pilot study among the customers and the bank officials of public sector banks. Five-point Likert scales were used to examine the opinions of bank managers as well as its customers.

The secondary data has been collected from various studies, journals and publications. The other information has been drained from district chief planning officer – West Godavari district, Bank Quest - the Journal of Indian institute of Banking & Finance, Magazines in the area of banking. The researcher has been collected RBI speeches, reports and occasional papers. The author also visited various university libraries to collect the secondary data.

### **Sample Design**

Proportionate stratified sample method is used for the present study. Sample consists' total 132 bank managers and 660 customers from total 16 public sector banks in West Godavari district. The bank branches are selected based on the each bank branch proportion to the total bank branches. From the selected sample bank branches 5 customers taken from each branch for this study.



## Method of analysis

The data has been analysed for the present study with paramount care to attain accurate results. The data has been collected from various respondents which entered in to the computer by using IBM-SPSS 17.0 software. The primary data was tabulated and frequencies were interpreted.

Customer opinions are ascertained on a five point scale. Each option is assigned weights at the rate of five to ‘*Strongly Agree*’, four to ‘*Agree*’, three to ‘*Neutral*’, two to ‘*Disagree*’ and one to ‘*Strongly Disagree*’. By following this procedure total score and mean score are calculated to analyse the opinions of customers on different statements of customer satisfaction.

## Testing of Hypothesis:

To test the formulated hypothesis t-test is used. The calculated value is compared with the table value at five per cent & one per cent level of significance and the inferences were drawn.

It can be observed that the numbers of respondents are using the internet banking facility. It may be due to the fact that the advancement in technology and the service is available at an affordable cost to the vast sections of the customers from the urban and rural areas as well.

**Table – 2: Respondents opinion on different statements**

S. No.	Statement	SD	D	N	A	SA	Mean
<b>Reasons for using Internet Banking</b>							
1	IB is more convenient than in-branch banking	6 (6.06)	10 (10.10)	14 (14.14)	41 (41.41)	28 (28.28)	3.76
2	IB is more reliable than in-branch banking	5 (5.05)	11 (11.11)	18 (18.18)	32 (32.32)	33 (33.33)	3.78
3	IB transactions can be done faster than in-branch banking	8 (8.08)	13 (13.13)	12 (12.12)	39 (39.39)	27 (27.27)	3.65
4	IB allows easier maintenance of transaction activities than in-branch banking	4 (4.04)	7 (7.07)	19 (19.19)	37 (37.37)	32 (32.32)	3.87
5	IB is safer and more secure than in-branch banking	6 (6.06)	12 (12.12)	17 (17.17)	34 (34.34)	30 (30.30)	3.71



6	I use IB for curiosity only	11 (11.11)	9 (9.09)	20 (20.20)	33 (33.33)	26 (26.26)	3.55
7	I use IB for better rate offers and charges only	3 (3.03)	14 (14.14)	13 (13.13)	38 (38.38)	31 (31.31)	3.81
8	Overall, IB is better than in-branch banking	9 (9.09)	6 (6.06)	16 (16.16)	39 (39.39)	29 (29.29)	3.74
<b>Respondents suggestions for effective IB services</b>							
1	Ensure high safety and security for using IB	6 (6.06)	10 (10.10)	16 (16.16)	39 (39.39)	28 (28.28)	3.74
2	Make IB user-friendly	2 (2.02)	9 (9.09)	19 (19.19)	40 (40.40)	29 (29.29)	3.86
3	Speed up the time required to finalize transactions	3 (3.03)	13 (13.13)	15 (15.15)	41 (41.41)	27 (27.27)	3.77
4	Improve the quality of IB services	4 (4.04)	14 (14.14)	18 (18.18)	38 (38.38)	25 (25.25)	3.67
5	Show detailed information of transactions	8 (8.08)	7 (7.07)	14 (14.14)	48 (48.48)	22 (22.22)	3.70
6	Provide up to date account information	11 (11.11)	6 (6.06)	16 (16.16)	47 (47.47)	19 (19.19)	3.58
7	Monitor the transactions better	7 (7.07)	8 (8.08)	13 (13.13)	45 (45.45)	26 (26.26)	3.76
8	Spread IB knowledge and lower internet charges	5 (5.05)	12 (12.12)	9 (9.09)	43 (43.43)	30 (30.30)	3.82

Source: Survey

Note: Figures in the brackets indicate percentage to total

Table-2 reveals the options given by the respondents on different statements to ascertain the reasons for using internet banking and suggestions for effective internet banking service. It can be observed from the analysis that the mean score for all the statements lies between 3.5 and 3.9. The mean score is comparatively higher for Respondents suggestions for effective internet banking services followed by the reasons for using the internet banking. This indicates that the respondents are more active to give better suggestions for effective internet banking than the reasons for using internet banking.



## Hypothesis: 1

Socio-demographic variables don't have significant influence on customers for using Internet Banking.

**Table – 4: Mean scores of reason for using Internet Banking, SDs obtained by the beneficiaries belonging to different groups and their respective t/F values**

S. No.	Variable	Group	N	Mean	Standard Deviation	't / F'- Value
1	Gender	Male	68	29.75	9.47	0.156
		Female	31	30.06	9.01	
2	Religion	Hindu	65	29.49	10.33	0.316
		Muslim	18	31.39	5.12	
		Christian	7	31.14	7.08	
		Any other	9	28.33	9.91	
3	Caste	SC	18	35.56	7.37	8.615**
		ST	16	33.63	5.73	
		BC	25	22.28	10.71	
		OC	28	30.36	8.03	
		Any other	12	30.83	4.91	
4	Marital Status	Married	73	30.04	9.42	0.554
		Unmarried	9	32.33	9.87	
		Widow	7	28.57	2.64	
		Widower	10	27.10	11.02	
		Divorced	0	0.00	0.00	
5	Age	Below 20	4	28.75	7.63	3.436**
		21-30	33	33.24	5.56	
		31-40	52	28.44	11.02	
		41-50	4	18.00	1.41	
		50 Above	6	32.00	0.00	
6	Educational Qualification	Illiterate	1	8.00	0.00	12.347**
		Below 10 <sup>th</sup>	7	40.00	0.00	
		10 <sup>th</sup> / SSC	17	30.12	8.57	
		Intermediate	24	34.13	4.08	
		Graduation	15	35.00	3.84	
		P G	34	22.79	9.40	
		Other	1	36.00	0.00	
7	Occupation	Farmer	2	30.50	0.71	0.611
		Employee	21	29.95	8.94	
		Professional	15	29.07	3.08	
		Student	51	29.18	11.36	
		Other	10	34.10	2.28	



8.	Income	Below 5000	25	27.44	6.86	35.349**
		5001-10000	31	21.23	7.85	
		10001-15000	12	35.00	2.95	
		15001-20000	23	37.87	3.67	
		Above 20000	8	40.00	0.00	

Table-4 provides the information related to the opinion of the respondents on the reasons for using internet banking services offered by the bank. The t-value for gender category is 0.156, which is not significant at 0.05 level. This shows that there is no significant difference of opinion on the reasons for using internet banking with respect to their Gender.

The F-value for religion category is 0.316, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the reasons for using internet banking based on their religion. The F-value for caste category is 8.615, which is significant at 0.01 level. This shows that there is a significant difference of opinion on the reasons for using internet banking with respect to their caste category. It concludes that SCs are more positive in various aspects when compared to their counterparts.

The F-value for marital status category is 0.554, which is not significant at 0.05 level. It highlights that there is no significant difference of opinion on the reasons for using internet banking based on their marital status. The F-value for age group category is 3.436, which is significant at 0.01 level. It shows that there is a significant difference of opinion on the reasons for using internet banking with respect to their age group. It concludes that 21-30 years aged customers have more positive opinion on the reasons for using internet banking services offered by the bank when compared to any other group of respondents.

The F-value for educational qualification category is 12.347, which is significant at 0.01 level. This indicates that there is a significant difference of opinion on the reasons for using internet banking based on their educational qualification. It concludes that literates below 10<sup>th</sup> class respondents have more positive opinion on the reasons for using internet banking services offered by the bank when compared to any other group of respondents.

The F-value is found to be 0.611, which is not significant at 0.05 level. By this we can say that there is no significant difference among respondents with regard to their occupation in their opinion on the reasons for using internet banking services offered by the bank.

The F-value is found to be 35.349, which is significant at 0.01 level. By this we can say that there is a significant difference among respondents



with regard to their range of income in the reasons for using internet banking services offered by the bank. It was observed that respondents with above Rs. 20,000 income have more positive opinion on the reasons for using internet banking services offered by the bank when compared to any other group of respondents.

From the above we can conclude that there is no significant difference in the reasons for using internet banking services offered by the bank with respect to Gender, religion, marital status and occupation. Whereas, a significant difference was found at 0.01 level with regard to caste, age, educational qualification and income.

The hypothesis, "Socio-demographic variables don't have significant influence the customers reasons for using Internet Banking", may be accepted in case of gender, religion, marital status and occupation, whereas rejected in relation to caste, age, educational qualification and income.

### Hypothesis: 2

Socio-demographic variables don't have significant influence on customers' suggestions for effective Internet Banking services.

**Table – 5: Mean scores of suggestions for effective IB services, SDs obtained by the beneficiaries belonging to different groups and their respective t/F values**

S. No.	Variable	Group	N	Mean	Standard Deviation	't/ F'- Value
1	Gender	Male	68	29.69	8.94	0.312
		Female	31	30.29	8.65	
2	Religion	Hindu	65	29.46	9.90	0.373
		Muslim	18	31.33	4.84	
		Christian	7	31.71	5.68	
		Any other	9	28.56	9.04	
3	Caste	SC	18	35.94	6.75	9.432**
		ST	16	32.44	4.93	
		BC	25	22.48	10.35	
		OC	28	30.36	7.45	
		Any other	12	31.67	4.50	
4	Marital Status	Married	73	29.85	8.90	0.581
		Unmarried	9	32.78	9.26	
		Widow	7	30.00	2.08	
		Widower	10	27.40	10.85	
		Divorced	0	0.00	0.00	





5	Age	Below 20	4	28.75	7.09	4.274**
		21-30	33	33.67	5.12	
		31-40	52	28.19	10.33	
		41-50	4	18.50	1.91	
		50 Above	6	32.00	0.00	
6	Educational Qualification	Illiterate	1	8.00	0.00	12.714**
		Below 10 <sup>th</sup>	7	40.00	0.00	
		10 <sup>th</sup> / SSC	17	30.59	8.12	
		Intermediate	24	34.17	3.60	
		Graduation	15	34.00	2.65	
		P G	34	23.15	9.06	
		Other	1	33.00	0.00	
7	Occupation	Farmer	2	31.00	0.00	0.299
		Employee	21	29.71	7.69	
		Professional	15	30.13	2.50	
		Student	51	29.29	11.17	
		Other	10	32.60	1.07	
8.	Income	Below 5000	25	27.60	6.70	30.36**
		5001-10000	31	22.13	8.07	
		10001-15000	12	33.25	1.82	
		15001-20000	23	37.52	3.42	
		Above 20000	8	40.00	0.00	

Table-5 provides the information related to the opinion of respondents on the suggestions given for the effectiveness of internet banking services. The t-value for gender category is 0.312, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the suggestions given for the effectiveness of internet banking services with respect to their Gender.

The F-value for religion category is 0.373, which is not significant at 0.05 level. This shows that there is no significant difference of opinion on the suggestions given for the effectiveness of internet banking services based on their religion. The F-value for caste category is 9.432, which is significant at 0.01 level. It indicates that there is a significant difference of opinion on the suggestions given for the effectiveness of internet banking services with respect to their caste. It concludes that SCs are more positive in various aspects when compared to their counterparts towards the customer satisfaction.

The F-value for marital status category is 0.581, which is not significant at 0.05 level. This highlights that there is no significant difference



of opinion on the suggestions given for the effectiveness of internet banking services based on their marital status. The F-value for age category is 4.274, which is significant at 0.01 level. It indicates that there is a significant difference of opinion on the suggestions given for the effectiveness of internet banking services based on their age group. It concludes that above 50 years aged customers are stronger in their suggestions given for the effectiveness of internet banking services when compared to any other group of respondents.

The F-value for educational qualification category is 12.714, which is significant at 0.01 level. This shows that there is a significant difference of opinion on the suggestions given for the effectiveness of internet banking services based on their educational qualification. It concludes that literates below 10<sup>th</sup> class respondents are stronger in providing suggestions for the effectiveness of internet banking services when compared to any other group of respondents.

The F-value for occupation category is 0.299, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the suggestions given for the effectiveness of internet banking services with respect to their occupation.

The F-value for income group category is 30.36, which is significant at 0.01 level. It shows that there is a significant difference of opinion on the suggestions given for the effectiveness of internet banking services with respect to their income group. It concludes that respondents with above Rs.20,000 income are stronger in providing suggestions when compared to any other group of respondents.

From the above we can conclude that there is no significant difference in the opinion on the suggestions given for the effectiveness of internet banking services with respect to Gender, religion, marital status and occupation. Whereas, a significant difference was found at 0.01 level with regard to caste, age, educational qualification, and income.

The hypothesis, "Socio-demographic variables don't have significant influence on the customers suggestions for effective Internet Banking services", may be accepted in case of gender, religion, marital status and occupation, whereas rejected in relation to caste, age, educational qualification and income.



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## Conclusion:

There should be an e-suggestion box in the bank website, which should be in interactive mode and acknowledge the valid suggestions as to involve customers' suggestions in continuous improvement of the service offered. Further a valid suggestion considered by bank should suitably reward the customer for providing suggestions. All customers whether actually utilising electronic banking facilities or not must be made aware of the utilisation of such facilities like banks should send circulars in the house of all the customers about various electronic banking facilities provided by it. Customers from all categories of income group i.e. high, medium, low; age group; profession should be taken care of familiarising the customer to new environment by demo version of software on bank's website. It will enable users to give suggestions for improvement which can be incorporated in later versions wherever feasible.

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