

## A Study on Internet Banking (IB) Services: Identifying Major Contributing Factors in Consumer Perception



### Management

**KEYWORDS:** Internet banking (IB), on-line Bank (OB) perception, e-banking (eb)

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### ABSTRACT

*Internet banking is increasingly becoming popular because of convenience and flexibility. The present paper explores the major factors responsible for internet banking based on respondents' perception on various internet applications. It also provides a framework of the factors which are taken to assess the internet banking in view with consumer perception.*

### INTRODUCTION

Online banking is a new phase in retail banking services. With the help of online banking several types of services through which customers can request information and carry out their banking transaction such as balance inquiry, inter account transfers, utility bills payment, request check book etc., via a telecommunication network or internet without physically visit the branches. In future along with physical market competition the virtual market (market space) also going to take place. Due to this fact, more and more banking companies thinking about switching their businesses from the physical to virtual market (online technology). Today, the key success factor for the developing economies is "Information". As advancements in technology and information system are arising rapidly and different kinds of electronic banking systems are introduced by banks, where each system has a unique and systematic way that facilitate the user to interact with the bank in easiest way. The first online banking service based on the Internet were provided by Stanford Federal Credit Union (SFCU) in October 1994.

In online business trust, security and safety are the most challenging issues for the banks. Beside them, to build and retain the customers' trust will also become a future challenge for banks especially in internet banking. Majority of the customers hesitate to use internet banking services because of security and privacy issues. The security problems have a large contribution to reduce customer satisfaction. The success of any new product and service is highly depending on customer acceptance and customer satisfaction. In contrast the customer dissatisfaction and resistance is one of the major causes of market failure of innovation. In online banking business the Automated Teller Machine (ATM) is the first popular system that was introduced to facilitate the users to access and carryout their banking transactions in minimum time.

Mobile banking has a great contribute in online banking revolution, which is giving a competitive edge to the banks against their rivals. Especially "Transaction Alert / Confirmation" is most demanding service by users. Customers feel that after monetary transaction the SMS should be received and they prefer the version of the IVR (Interactive Voice Response) banking service that provides (out-of-band) SMS confirmation over those one that does not. Therefore, online banking helps banks to retain and enhance the loyalty of their existing customers, increase customer satisfaction, provide opportunity to the banks to increase market share, reduce administrative and operational cost and to improve banks' competitive positions against their rivals.

### LITERATURE REVIEW:

1. Gikandi and Bloor, 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.[1]

2. Malhotra and Singh 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.[2]

### OBJECTIVES

The present study aims to explore the major factors responsible for internet banking based on respondents' perception on various internet applications. Study also tries to examine whether there is any relation with the demographic variable (e.g. gender) and respondents' perception about internet banking; and, whether the user and non-user perception differs.

### Framework of the factors

As mentioned that survey focuses on the finding the customers' perception on various internet application related with internet banking. Various factors which contribute to the customers' perception such as convenience, flexible virtual banking system, reliability, time factor, real time access to information, saving transaction cost, on-line bill payments, digital signature for security, faster transfer, easy to use, user friendly, low transaction fees, any time and anywhere banking facility, access to current and historical transaction data, facility of fund transfer to third party are taken for this study. These factors came from different studies.

### The Framework of the factors which are taken to assess the perception is as follows:

1. Convenience way of operating banking transactions: Online banking is a highly profitable channel for financial institutions. It provides customers convenience and flexibility and can be provided at a lower cost than traditional branch banking [5]. The convenience of online banking is helping people gain greater control of their finances and contributing to changing patterns in cash withdrawal and day to day money management. [3]
2. Flexible virtual banking system: Financial institutions have spent a great deal of time and money developing online banking functionality to allow customers an easy and convenient way to manage their money [5]. A customer can check balance by logging into banks website through a user name and password. In this way he can enquire balance,

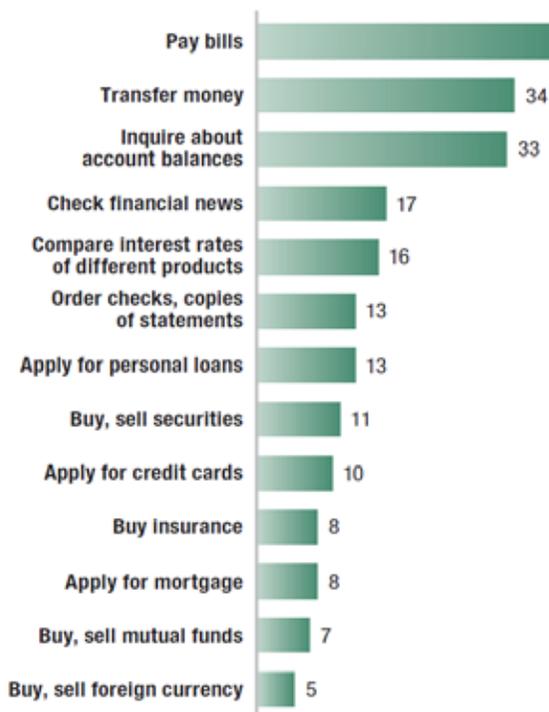
status of cheques, perform funds transfers, order drafts, request issue of cheque books etc [10]

3. Reliability: Jun and Cai identified one of the very important service quality dimensions of i-banking service quality is reliability. The online banking environment has grown tremendously over the past several years and will continue to grow as financial institutions continue to strive to allow customers to complete money transfers, pay bills, and access critical information online [7]. During this same time, online banking has been plagued by Internet criminals and fraudsters attempting to steal customer information. Phishing, pharming, and other types of attacks have become well known and are widely used as a means for fraudsters to obtain information from customers and access online banking accounts. As a result, authenticating customers logging onto their online banking service has become a crucial concern of financial institutions [5].
4. Time factor: Liu and Arnett in their study identified time factor as one of the prime factor that in Internet banking service quality feature for the customers. Saving time is an importance factor which influences the customers prefers to use i-banking. [3]. Banks can make the information of products and services available on their site, which is, an advantageous proposition. Prospective customer can gather all the information from the website and thus if he comes to the branch with queries it will be very specific and will take less time of employee [10].
5. Real time access to information: The banks started i-banking initially with simple functions such as real time access to information about interest rates, checking account balances and computing loan eligibility. Then, the services are extended to online bill payment, transfer of funds between accounts and cash management services for corporate. [9]
6. Saving transaction cost: Improving customer service, increasing market reach and reducing costs are now basic expectations of Internet banking services. If consumers are to use new technologies, the technologies must be reasonably priced relative to alternatives. Otherwise, the acceptance of the new technology may not be viable from the standpoint of the consumer [11]. Internet banking model offers advantages for both banks and customers. The Internet provides the banks with the ability to deliver products and services to customers at a cost that is lower than any existing mode of delivery.
7. On-line bill payments: The most popular online transaction through internet banking is funds transfer/bill payment [3]. Of the twenty-two million users in US, twenty percent or 4.6 million people regularly used online bill payment services offered by the top ten financial institutions. This report also highlighted that the usage of online bill payment services increased by thirty-seven percent at the end of the first quarter 2004
8. Digital signature for security: In a survey conducted by the Online Banking Association, member institutions rated security as the most important issue of online banking. There is a dual requirement to protect customers' privacy and protect against fraud [8]. Digital signature is a precautionary measure to prevent malpractices and tampering the information. It is a form of enhanced authentication [5]. Nearly one in 5 customers were victims of identity theft and fraud [12]
9. Faster transfer: Another important factor that contributes the framework of the perception is the faster transfer of fund. The fundamental advantage of the internet banking is the transfer of the information about the money's worth to any place at any time with a mouse click's distance.
10. Easy to use and user friendliness: Ease of use is another important determinant for the customer preferring the internet banking [3]. In a study conducted by Cooper [4] ; reported that ease of use of innovative product or service as one of the three important characteristics for adoption from the customer's perspective. The user friendliness of domain names as well as the navigation tools available in the web-sites is an important determinant for ease of use. The design of the web-sites with appropriate use of graphical user interface is also considered as an important de-

terminant. It is also worth noting that proper navigation attributes and search facility will also certainly be helpful to consumers when they surf the Internet. In addition, the level of interactivity of the site will certainly have an effect on the consumers' perception of the user friendliness of the Internet. [11]

11. Low transaction fees: Another factor that would stand in the way of consumer adoption of Internet banking is the cost factor. In Internet banking, two types of costs are involved. First, the normal costs associated with Internet access fees and connection charges and secondly the bank fees and charges [11]. These two types of costs shape the perception of the customers.
12. Any time and anywhere banking facility: Online banking users say that convenience is the most important factor, online banking lets them access their accounts from anywhere and at any time. [13]
13. Access to current and historical transaction data: According to IAMA report's - online banking '2006', customers prefer to view account balances, transaction history and updates get e-statements, credit card and debit card transaction history and updates, checking the status of their credit card accounts, viewing information regarding their demat account, information on their fixed deposits.
14. Facility of fund transfer to third party: According to IAMA report's - online banking 2006, majority of the customers prefer on-line banking channels to transfer funds to third party.
15. Queue management: One among the important dimensions of e-banking service quality is queue management. [6]

**FUNCTIONES PREFERRED BY USERS**



**Source: McKinsey's Asia-Pacific proprietary Personal Financial Services 2000 survey**

Middle and high income people questioned in a McKinsey survey, only 2.6 percent reported banking over the Internet last year. In India, Indonesia, and Thailand, the figure was as low as 1 percent; in Singapore and South Korea, it ranged from 5 to 6 percent.

Overall, Internet banking accounted for fewer than 0.1 percent of these customers' banking transactions - a figure unchanged from 1999. The Internet is used more often for opening new accounts, but again the numbers are small: fewer than 0.3 percent

of respondents used it for that purpose, except in China and the Philippines, where the figures climbed to 0.7 and 1.0 percent, respectively.

Bankers can't blame limited access to the Internet for the slow uptake: 42 percent of respondents said that they had access to computers and 7 percent to the Internet. The chief problem in Asia and throughout emerging markets is security, which more than half of the respondents reported as their main reason for declining to open on-line banking or investment accounts. Respondents also said that they preferred to have personal contact with their banks.[15]

### CONCLUSIONS

Thus, the analysis done with the help of statistical tools clearly indicate that, the factors responsible for internet banking. Factor analysis results indicate that 'utility request', 'security', 'utility transaction', 'ticket booking' and 'fund transfer' are major factors. Out of total respondents' more than 50 % agreed that internet banking is convenient and flexible ways of banking and it also have various transaction related benefits. Thus, Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service.[14]

### FUTURE SCOPE

Although this research is primarily based on the primary data from the users and non users of Internet banking, the findings cannot be generalized, as the research is based on non probability sampling. This study has successfully examined the major factors responsible for internet banking based on respondents' perception on various internet applications; future research may include examining the factors importance. Future research may also consider the impact of other demographic variable like education.

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