



## A Study on Customers' perception towards Internet Banking at Ahmedabad City

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### ABSTRACT

*Internet banking is a new delivery channel for banks in India. The Internet banking channel is both an informative and a transactional medium. Internet Banking and Mobile Banking made it convenient for customers to do their banking from geographically diverse places. However, Internet banking has not been popularly adopted in India as expected. Being a savings based culture still, Indian consumers are cautious about their financial assets. They are also relatively recent entrants to internet based services. Design of these systems must therefore be based on an understanding of these users' outlook and priorities through task centric, security assured and service oriented solutions minus the technological challenges. The objective of this paper is to find the perception of Internet banking users. The profiles may be used to target and attract potential customers to adopt Internet banking.*

**Keywords: Internet Banking, ATM, Perception, Online**

### 1. INTRODUCTION: INTERNET BANKING IN INDIA

The Traditional Functions of Banking were limited to accept deposits and to give loans and advances. Today banking is known as Innovative Banking. Information technology has given rise to new innovations in the product designing and their delivery in the banking and finance industries, customer services and customer satisfaction are their prime work.

Customers access e-banking services using an intelligent electronic device such as personal computer, Automated teller machine etc. There are five basic services associated with online banking: view account balances and transaction histories; paying bills; transferring funds between accounts; requesting credit card advances; and ordering checks for more faster services that can be provide by domestic and foreign bank.

As a result, registered Internet banking users can now perform common banking transactions such as ....

- Writing checks,
- Paying bills,
- Transferring funds,
- Printing statements, and
- Inquiring about account balances.

The popular services covered under E-banking include:-

1. Automated Teller Machines,
2. Credit Cards,
3. Debit Cards,
4. Smart Cards,
5. Electronic Funds Transfer (EFT) System,
6. Cheque Truncation Payment System,
7. Mobile Banking

### RISK MANAGEMENT IN E-BANKING

#### 1). Transaction Risk:

Transaction risks arise from fraud, processing errors and other unanticipated events resulting in the institutions inability to deliver products or services. The key to controlling transaction risk lies in adopting effective polices procedure & control to meet the new risk exposures introduced by e-banking.

#### 2). Credit Risk

Generally, a financial institution's credit risk is not increased by the mere fact that a loan is originated trough an e-banking

channel. However, management should consider additional precautions when originating and approving loans electronically.

#### 3). Compliance/legal risk

Compliance/legal issues arise out of the rapid growth in usage of e-banking and difference between electronic & paper based processes. E-banking is a new delivery channel where the laws and rules governing the electronic delivery of certain financial institution products or services may be ambiguous.

#### 4) Reputation Risk:

An institutions decision to offer e-banking services, especially the more complex transactional services, significantly increases its level of reputation risk.

### 2. LITERATURE REVIEW

The vast majority of the banks that avoided Internet banking in the beginning did so because they simply did not see the benefits of using it. According to Tan and Teo (2000) if customers are given the chance to try the innovation, it will minimize certain fears, especially when customers found that mistakes could be rectified and thus providing a predictable situation.

Polatoglu & Kin (2001) state that the average internet banking transaction costs the institution only one twentieth of teller transaction. Conclusions of study undertaken for European Commission on public perceptions (September, 2003) say that lack of trust has been frequently cited to be one of the key factors that discourage customers from participating in e-commerce, while cultural differences affect the formation of trust. Apart from trust, there are other variables which influence the usage of Internet banking. They are intention, beliefs, and subjective norms, trust in the bank, attitude, perceived usefulness and perceived ease of use (Journal of Services Research, 2007).

It is interpreted that the female respondents are yet to get fully involved in Internet purchase (Journal of Internet Banking and Commerce, 2006). Therefore, enhancing the level of service performance acceptance is the major issue to get competitive advantages.

A majority of studies highlight the fact that "security" is the

biggest single concern for customers when faced with the decision to use internet banking. Security has always been an issue, but its scope has changed from mere doubts about the privacy of personal information to worries of financial loss (Sayar and Wolfe, 2007).

As many as 7% of account holders in the India are using the Internet for banking transactions, while branch banking has fallen by a full 15 percentage points, according to a report

by global management consultancy McKinsey & Company. In 2007, the number of times Indian respondents visited bank branch for doing transactions was 0.58 while the same in 2011 was 0.49, showing a fall of 15 percentage points. Branch usage has dropped by 27% on an average across Asia between 2007 and 2011, while usage of the Internet and mobile banking have increased by 28% and 83%, respectively, says the survey, which was also conducted across the Asia-Pacific region.

**TOP 5 COUNTRIES WITH THE HIGHEST NUMBER OF INTERNET USERS**

**Table 1: Top 5 Countries with Highest Number of Internet User**

Sr. No.	Country or Region	Population, 2011 Est	Internet Users Year 2000	Internet Users Latest Data	Penetration (% Population)	World % Users
1	China	1,336,718,015	22,500,000	513,100,000	38.4 %	22.5 %
2	United States	313,232,044	95,354,000	245,203,319	78.3 %	10.8 %
3	India	1,189,172,906	5,000,000	121,000,000	10.2 %	5.3 %
4	Japan	126,475,664	47,080,000	101,228,736	80.0 %	4.4 %
5	Brazil	194,037,075	5,000,000	81,798,000	42.2 %	3.6 %

NOTES: World Internet User Statistics were updated for March 31, 2012.

From the above table it can be identified that, India is the third largest internet user countries in the world, March 2012 data. The reach of internet banking has also increased in India due to the internet usage increase.

**MOBILE BANKING IN INDIA TRANSACTION VOLUME VS AMOUNT TRANSACTED**

**Graph 1: Mobile Banking in India**



From the Graph 1, we can say that growth for the use of Mobile Banking is tremendous. Within 11 Month number of transaction through Mobile Banking has increased which indicate greater opportunity for Internet Banking in Future. The number of transactions using mobile banking in India has gone up by 68.86% while the amount has increased by 102.65% taking into consideration the period from August 2011 to May 2012.

**3. RESEARCH METHODOLOGY**

**Objectives of study:-**

Main objective: To Assess the satisfaction of the Customers with the Internet banking service with reference to Ahmedabad City.

Study also tries to examine whether there is any relation with the demographic variable (e.g. age) and respondents' perception about internet banking for Convenience.

**Research Methodology:-**

Descriptive method is used for research design. The study employs primary data as well as secondary data. Secondary data is collected from different published sources like report, research papers, websites etc. Primary data is collected by structured survey.

The survey is done online and link sent to the respondents from Ahmedabad using convenience sampling. The respondents, who are approached through email, were 193.

Of these, 144 responses have received, giving a response rate of 74.61 percent. Out of 144 respondent 117 respond-

ents is using internet banking which is around 81.25%. All items are measured by responses on a five-point Likert scale in agreement/ relevance with statements, ranging from 1= Least Important/ Completely Irrelevant to 5= Most Important/ Completely Relevant. The analysis of primary data is carried out using Statistical Package for the Social Sciences (SPSS) 16.0 for windows.

**Hypothesis:-**

**Ho (Null Hypothesis)**

There is no difference between age & convenience as a factor for opening internet bank account.

**Ha (Alternative Hypothesis)**

There is difference between age & convenience as a factor for opening internet bank account.

**Model**

The author has used the customer perception towards Convenience as the dependent variable and age as the independent variables. The author has run the one way Anova model to determine the significance level of the variables for the Customer Perception in Internet banking.

**4. ANALYSIS & FINDINGS**

Table 2 presents the demographic characteristics of the 117 respondents (Users of Internet Banking). About 68% of the respondents are males and 32% respondents are females, other data are represented in the Table 2.

**Distribution of Respondents**

**Table 2 : Distribution of Respondents on the Basis of Demographic Factors**

Demographic Variables	Categories	No. of Respondents (In Percentage)
Gender	Male	79 (68)
	Female	38 (32)
Age	18 – 23	21 (18)
	24 – 30	72 (62)
	31 – 39	9 (8)
	Above 40	15 (13)
Occupation	Professional	31 (26)
	Employed (Government, Private)	56 (48)
	House wife	1 (1)
	Retired	3 (3)
Education	Students	26 (22)
	High School	0 (0)
	Bachelor	16 (14)
	Masters	90 (77)
	Higher than Master Degree	11 (9)

**Findings**

- 46% of the respondents use ATM for 1 to 4 times per month.
- 24 hour service, anywhere connectivity & Safety is most important reason & Easy to maintain bank account transaction activity is important reason for opening internet bank account by the customers.
- 62% of the respondents are satisfied with online banking services, some are dissatisfied mainly because of bank charges reason.
- Respondents don't like to open internet banking account because of Security reason.
- 35% of the respondents still visit Branches since they started online banking.
- 56% of the respondents have opened account because they have traditional account with the same bank.

After analyzing the Internet banking services in Ahmedabad city several questions were asked to the different respondents related to the Banking service & their expectation about it. 117 respondents are valuable customers of internet banking services. Few demographic & variable questions were asked for taking swift concept about customer satisfaction.

For testing of Hypothesis One way Anova test is used for finding whether there is difference between Age & convenience as a important factor for opening internet banking account.

ANOVA					
Convenience					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.501	3	.167	.517	.672
Within Groups	36.491	113	.323		
Total	36.991	116			

SPSS 16.0 for applicability of test

From the analysis of relation between convenience as a important factor for opening internet bank account & age SPSS is used. The result indicates that value of 'P' i.e. significant level is Sig. 0.672 which is higher than 0.05 degree of freedom. The 'Ho' hypothesis is being accepted means there is no difference between age & convenience as a factor for opening internet banking account. According to the age bracket the perception of the customers doesn't defer for the convenience as factor.

**5. CONCLUDING REMARKS**

Thus, the analysis done with the help of statistical tools clearly indicate the factors responsible for internet banking. Factor analysis results indicate that 'Convenience', 'security', 'easy to maintain banking transaction', 'Curiosity', 'Better rate' and 'Low service charges' are major factors. Out of total respondents 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.

**6. LIMITATIONS OF THE STUDY & FURTHER AGENDA FOR SEARCH**

There are some limitations for conducting this research are given below:

- Many respondents have a little knowledge about the Internet banking services in Ahmedabad City.
- They have not enough time for responding to the questionnaires.
- Customer satisfaction of particular bank has not dictated.
- In future, research may be done through doing survey on larger number of customers of the banks and try to understand their satisfaction level on the basis of proxy determinants as level of satisfaction is a cardinal approach.

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