



## Internet banking as a tool for Customer Relationship Management – A Study on Customer Perspective

\* Mr. V. Krishnamoorthy \*\* Dr. R. Srinivasan

\* Assistant Professor, Department of Management Studies, Kongu Engineering College Perundurai, Erode – 638 052

\*\* Associate Professor, PG and Research Department of Corporate Secretaryship Bharathidasan Govt, College for Women Pondicherry

### ABSTRACT

*The banking sector has undergone a drastic change on account of liberalization. Customers are considered as the king of any business and the banking sector is no exception. Customers at present are well informed and are aware of the latest happenings in the banking sector. In order to attract and retain customers, banks have introduced different strategies and tools. One such tool is internet banking. This study intends to throw light on customer perception on internet banking which serves as a tool for Customer Relationship Management. Data was collected from 154 respondents who are exposed to Internet banking. This study suggests that banks should create awareness of internet banking.*

**Keywords: Internet banking, Customer Relationship Management, Banking.**

### Introduction

The intense competitive nature of today's business environment has resulted in a greater need for firms to build closer relationships with customer. (Nelson Oly Ndubisi, 2007)

The concept of relationship marketing has emerged within the field of service marketing and industrial marketing. (Berry, 1983; Jackson, 1985; Gummesson, 1987) Berry (1983) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationship. Rapp and Collins (1990) argued that the goals of relationship marketing are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. The importance of relationship marketing is increasingly being recognized. Kottler (1992) wrote that companies must move from short term transaction-oriented goals to long term relationship building goals. In marketing literature relationship marketing and customer relationship management are used interchangeably. Relationship marketing is marketing to win, build and maintain strong lasting relationships with industrial customers (Jackson, Barbar Bund, 1985 b) The ongoing process of engaging in co-operative and collaborative activities and programmes with immediate and end-user customer to create (or) enhance mutual economic value at reduce cost (Sheth and Parvatiyar, 2000) A customer-centred approach whereby a firm seeks long-term business relationships with prospective and existing customers. (Evans and Laskin, 1994). In the era of mature markets and intensive competitive pressure, more and more companies do realise that their most precious asset is the existing customer base. (Athanasopoulos, 2000; Jones et al, 2000; Thomas, 2001; colgate et al, 1996, Paulin et al, 1998; Mols, 1998). The economic value of customer retention is widely recognized in literature.

1. Successful customer retention lowers the need for seeking new and potentially risky customers and allows organization to focus more accurately on the needs of their existing customers by building relationships (Dawes and Swales, 1999; Engel et al: 1995)
2. Long Term customers buy more (Paulin et al; 1998; Ganesh et al; 2000) and if satisfied may provide new referrals through positive word-of-mouth for the company (Ganesh et al; 2000; Colgate et al; 1996)

3. Long Term customers become less costly to serve due to the bank's greater knowledge of the existing customer and to decreased servicing costs (Ganesh et al., 2000; Paulin et al., 1998)
4. They tend to be less sensitive to competitive marketing activities (Colgate et al ; 1996)
5. Losing customers not only leads to opportunity costs because of reduced sales, but also to an increased need for attracting new customers (Athanasopoulos, 2000) which is five to six times more expensive than customer retention (Bhatta Charya, 1998, Colgate and Danaher, 2000; Rasmusson, 1999)

Online banking refers to the automated delivery of banking products and services directly to customers through electronic communication channels, most notably the Internet. (Lokanadha Reddy, et al., 2012) 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, transferring funds, paying bills, paying mortgages and purchasing financial instruments and certificate of deposits (Lokanadha Reddy et al, 2012) without physically visit the branches (Daniel, 1999) In online business trust, security and safety are the most challenging issues for the banks. Beside them, to build and retain the customer's trust will also become a future challenge for banks especially in internet banking (Aladwani, 2001). Majority of the customers hesitate to use internet banking services because of security and privacy issues (Lee & Turban, 2001)

### Review of literature

Rootman et al., (2008) Investigated the variables that influence the customer relationship management of bank from the employee perspectives . The study conclude that attitude of the employee and knowledgeable of bank employee have made significant impact on customer relationship management strategies of bank.

Sathye (1997) studied the status of internet banking in Australia. The study found that by creating proper education in internet banking services can be expanded in Australia.

Barner (1998) opined that younger customer are more comfortable with using e-banking.

Hasan (2002) found that online banking has a significant influence on bank to attract and retain the customers.

Sivalognathan (2004) has identified customer segment, decentralization and delay in its decision making process at all levels, involvement of the staff, mismatched levels of perception between bank and customers were challenges of relationship marketing.

#### Primary Objectives:

The objectives of the research were :-

1. To find the purpose of opening bank accounts by the respondents.
2. To identify the period of holding bank accounts by the respondents.
3. To study the customers opinion on internet banking as a tool for customer relationship management.
4. To offer valuable suggestions based on the study.

#### Statement of the Problem

Customers are considered as the king for any product offering and the banking sector is no exception. With the intense competition among the banks and extensive use of technology for product innovation and delivery, banks are trying to satisfy and retain the customers. In order to satisfy and retain customers, banks have introduced ATM facilities, mobile banking, RTGS, electronic fund transfer, demat account and internet banking. Banks have realized that customer relationship is important for their survival in the banking sector. By maintaining good relationship with existing customers, banks can increase the profit in the long run. Within this view, the researcher intends to study the perception of internet banking as a tool for customer relationship management.

#### Methodology for Research

This study is descriptive in nature. Both primary and secondary data are used as a data source for the study. The researcher approached the customers of a public sector and private sector banks personally who were coming out of a bank after completion of their bank transaction, for collection of necessary data for research. The views of the customers regarding their perception have been quantified on the basis of scale having five points. The five points and their respective score values in the scale are given as Very High – 5, High – 4, Moderate – 3, Low – 2, Very Low – 1.

#### Sampling Unit:

The sampling unit for the study is customers of public sector banks and private sector banks in Theni city. Totally four banks have considered for the study namely SBI, Canara Bank, KVB and Indian Bank.

#### Sample Size:

The total sample size is 154.

#### Method of Sampling:

The convenience sample method is adopted for the study.

#### Period of Study:

The collection of data began from the month of June 2012 to August 2012.

#### Hypothesis

The following hypothesis has been framed:

1. There is no significant difference between education and customer perception of internet banking.
2. There is no association between occupation of the respondents and frequency of operations.

#### Tools Used:

The following tools were used.

1. ANOVA.
2. Chi-Square.

#### Limitations of the study

1. The population being large, the study was restricted only with the sample size of 154.
2. There are several banks in the study area, but the researcher studied only the selected banks.
3. The geographical scope is limited to Theni city only.

#### DATA ANALYSIS

The demographic profile of the respondents is framed in Table No - 1

**Table No:1. Demographic Profile of the Respondents**

S.No	Demographics	Frequency	Percentage
1.	Gender		
	Male	111	72.1
	Female	43	27.9
2.	Age (Year)		
	Below 25	38	24.7
	26-35	39	25.3
	36-45	37	24.0
	46-55	22	14.3
3.	Marital Status		
	Married	117	76.0
	Unmarried	37	24.0
4.	Employment Status		
	Government Employee	31	20.1
	Private Employee	24	15.6
	Professionals	23	14.9
	Business	44	28.6
	Student	16	10.4
5.	Annual Income		
	Less than 1 Lakh	26	16.9
	1 Lakh to 3 Lakhs	54	35.1
	3 Lakhs to 5 Lakhs	37	24.0
	Above 5 Laksh	37	24.0
6.	Educational Level		
	Up to 12th Standard	12	7.8
	Undergraduate	56	36.4
	Post Graduate	37	24.0
	Professionals	25	16.2
Others	24	15.6	

Source: Primary Data

Table No - 1 shows that among the 154 sample customers, 72.1 were male and 27.9 percent female. Further, age wise, 24.7 percent were in the age group of below 25 years, 25.3 percent in the age group of 26 to 35, 24 percent in the age group of 36 to 45, 14.3 percent in the age group of 46 to 55, 11.7 percent in the age group of 56 years and above. Regarding marital status, 76 percent were married, 24 percent were unmarried. The survey indicates that 20.1 percent are government employees, 15.6 percent are private employees, 14.9 percent are professionals. 28.6 percent are business people, and 10.4 percent are students and others. As for annual income, 16.9 present of the respondents come under the income group of below 1 Lakh, 35.1 percent are in the group of Rs. 1 Lakh to 3 Lakhs, 24 percent are in the group of Rs. 3 Lakhs to 5 Lakhs and 24 percent are in the group of above Rs. 5 Lakhs. The researcher made an attempt to know the customer perception of internet banking as a tool for CRM. Totally six factors were considered for the study.

**Table No: 2  
Customer Perception of Internet Banking**

S.No	Factors	Very High	High	Moderate	Low	Very Low	Mean	Standard Deviation
1.	Availability of desired information on website	16.9	60.4	9.7	7.8	5.2	3.78	0.997
2.	Security of Transactions	33.8	25.3	29.9	5.8	5.2	3.77	1.136
3.	Time to get password and ID	5.8	31.8	39.6	16.9	5.8	3.15	0.969
4.	Use Friendly Websites	8.4	29.2	35.1	21.4	5.8	3.13	1.033
5.	Utility and bill payment facilities	7.8	48.1	24.0	14.9	5.2	3.38	1.005
6.	Prompt response to E-mail queries	6.5	26.6	43.5	16.9	6.5	3.10	0.975

Source: Primary Data

About 77.3 percent of the respondents are satisfied with availability of desired information on websites with mean 3.78 and standard deviation 0.997. The higher the value of mean the higher will be the level of satisfaction and lower the standard

deviation means higher satisfaction. Regarding the customer perception on internet banking, availability of desired information on website, ranked as number one, followed by security of transactions, utility and bill payment facilities, time to get password and ID, user friendly websites and prompt response to E-mail queries.

**Table No: 3  
Reasons for Opening Bank Accounts**

S.No	Factors	Gender				Total
		Male	Percentage	Female	Percentage	
1.	Convenient Working Hours	5	4.50	5	11.63	10
2.	Proximity to office / home	6	5.41	11	25.58	17
3.	Alternative Financial Products	23	20.72	5	11.63	28
4.	Company Salary Accounts with bank	7	6.31	2	4.65	9
5.	Availability of ATM Facilities	18	16.22	8	18.60	26
6.	Excellent Customer Service	33	29.73	4	9.30	37
7.	Recommendation by friends	11	9.91	4	9.30	15
8.	No other banks nearby	8	7.21	4	9.30	12
Total		111	100	43	100	154

Source: Primary Data

From Table No: 3, 33 percent of the male customers have chosen the bank on account of excellent customer service, followed by alternative financial products. Regarding female customers, 11 percent of the customers have chosen the bank on account of proximity to office / home. In total, both male and female customers have opened their account due to excellent customer service and alternative financial products.

Table No – 4 shows that 45.54 percent of the male customers hold account for more than 1 to 3 years and 51.16 percent of female customers hold account for the period of 1 to 3 years.

ANOVA Table for influence of education and customer perception on various aspects of Internet Banking

Both Null hypothesis and alternate hypothesis are formulated to test the significant difference between the respondents based on the customer perception on internet banking across the six factors. They are as follows:

**Duration of Holding Accounts  
Table No – 4**

S.No	Duration	Gender				Total
		Male	Percentage	Female	Percentage	
1.	Up to 1 Year	11	9.91	7	16.28	18
2.	1 to 3 years	45	40.54	22	51.16	67
3.	3 to 5 Years	30	27.03	11	25.58	41
4.	Above 5 Years	25	22.52	3	6.98	28
Total		111	100	43	100	154

H<sub>0</sub>: There is no significant difference between education and customer perception on internet banking with respect to the six factors.

H<sub>1</sub>: There is a significant difference between education and customer perception on internet banking with respect to the six factors.

**Table No: 5 ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Availability of desired information on website	Between Groups	.143	4	.036	.035	.998
	Within Groups	151.968	149	1.020		
	Total	152.110	153			
Security of transactions	Between Groups	3.355	4	.839	.644	.632
	Within Groups	194.229	149	1.304		
	Total	197.584	153			
Time to get password & user ID	Between Groups	3.710	4	.927	.988	.416
	Within Groups	139.855	149	.939		
	Total	143.565	153			
User friendly websites	Between Groups	1.405	4	.351	.323	.862
	Within Groups	161.997	149	1.087		
	Total	163.403	153			
Utility for bill payment facilities	Between Groups	1.331	4	.333	.324	.862
	Within Groups	153.065	149	1.027		
	Total	154.396	153			

For each of the factor I to VI mentioned in Table No – 5, The probability value (P) is higher than 0.05 (Level of significance) and therefore the null hypothesis formulated for each factor (at 95% confidence level) may be accepted. Hence it can be concluded that there is no significant difference among respondents with respect to customer perception on internet banking i.e., availability of desired information on website,

security of transactions, time to get password and ID, user friendly websites, utility and bill payment facilities, prompt response to E-mail queries.

The researcher has employed Chi-Square Test to know association between occupation and frequency of operations.

**Table No: 6 Association between occupation and frequency of operation of bank account.**

Chi-Square Tests		
Value	df	Asymp. Sig. (2-sided)
74.509a	15	.000
87.396	15	.000
19.828	1	.000
154		

a. 10 cells (41.7%) have expected count less than 5. The minimum expected count is 2.18.

The Chi-Square values are less than 0.05. So H1, is accepted. In other words, there is a association between occupation of the respondents and frequency of operations of the bank accounts.

**Findings:**

- 25.3 percent of the respondents are in the age group of 26.35 years.
- 76 percent of respondents are married.
- 28.6 percent of the respondents are Business People.
- 35.1 percent of respondents were earning income between 1 Lakh to 3 lakhs.
- 36.4 percent of the respondent's education qualification is undergraduate
- 77.3 percent of the respondents are satisfied with availability of desired information on websites.
- Regarding opening of bank accounts. 29.73 percent for the male customers were choosing the bank on account of excellent customer service, 25.58 percent of the fe-

male customers were opening account due to proximity to office (or) home.

- 40.54 percent of the make customer are holding account in the bank for the period of 1 to 3 years and 51.16 percent of the female customers are holding account in the bank for the period 1 to 3 years.
- There is no significant difference between education and various aspects of internet banking.
- There is a association between occupation of the respondents and frequency of bank operations.

The following suggestions are offered to improve the customer perception of Internet Banking.

**Suggestions:**

- Most of the customers expect prompt response to e-mail queries. So the bank should take necessary initiative in this regard.
- It is further recommended that respondents want to get e-mail ID and password immediately, in case of internet banking. So the banks should focus on this factor.
- It is recommended that banks should create awareness among the female customers as regard internet banking.

**Conclusion:**

In the changing business environment, banks find it very difficult to retain the existing customer. The banks can retain the existing customers by introducing several innovative service and customer satisfaction of existing services. Furthermore the banks should maintain good relationship among the customers by way of creating trust in banking services.

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