



CUSTOMERS' OPINION ON CURRENT AND POTENTIAL USE OF INTERNET BANKING: A STUDY ON PUBLIC SECTOR BANKS WITH REFERENCE TO WEST GODAVARI DISTRICT

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Abstract:

The main objective of the paper is to know the views of customers on Internet Banking. The study concluded that there is no significant difference in the opinion on customer views on internet banking services, and the current and potential use of internet banking services with respect to Gender, religion, marital status and occupation. Whereas, a significant difference can be found at 0.01 level with regard to caste, age, educational qualification and income.

Key words: *Internet Banking, Customer Satisfaction, brick and mortar*

Introduction

Internet Banking is a term used to describe banking transactions that are performed via a secured Internet application. Internet Banking transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans and mortgages. Although Internet Banking has been popular among young Internet-savvy people for many years, its popularity is expected to grow rapidly as Internet usage grows internationally and people discover the many advantages that it provides.

Technology has completely transformed the way we do banking today. Centralised banking system implementations have computerised all the banking processes, ATMs dispense cash to customers 24X7 and internet banking has enabled customers to

transact from the convenience of their homes. No long queues at the bank counters or multiple trips to the local branches and head offices. Transactions, bill payments, trading, investing, ordering cheque books, transferring funds, setting up FDs, etc., can now all be accomplished with a few mouse clicks in a matter of minutes.

The large, established "brick and mortar" banks introduced Internet Banking services in the mid-1990s. Most importantly, from the banks' perspective, internet banking offers the lowest cost per transaction by virtue of being the least expensive channel (as compared to the cost of serving a customer at physical branch). And it facilitates market penetration and growth in customer base without any geographical constraints or time based limitations.



Literature review

Pikkarainen, Karjaluoto, and Pahnla, (2004) defines internet 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, internet 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 (Flavian, Torres, &Guinaliu, 2004; Gan, Clemes, Limsombunchai, &Weng, 2006) . 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& Foley, 2000).

As Karjaluoto *et al.* (2002) argued that '*banking is no longer bound to time and geography. Customers over the world have relatively easy access to their accounts, 24 hours per day, and seven days a week*'. The author further argued that, with internet banking services, the customers who felt that branch banking took too much time and effort are now able to make transactions at the click of their fingers. Robinson (2000) believes that the supply of Internet 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& Foley, 2000).

Stewart (1999) claimed that the failure of the internet in retail banking is largely attributable due to the lack of trust consumers have in the electronic channels. Provision of infrastructural facilities is another factor that could lead to quicker diffusion of innovation. Hiltz, Johnson, &Turoff (1986), for instance, found that computer mediated communication is less personal and socio-emotional than face to face exchanges. Tomiuk and Pinsoneault (2001) concurred that the lesser degree of "richness" and "sound presence" of e-banking environment will affect banks' ability to create a trusting relationship between their customers and employees.

Objectives of the study

- 1) To know the views of customers on Internet Banking.
- 2) To know the opinion of the customers on current and potential use of Internet Banking



Hypotheses of the Study

Based on the above objectives the following hypotheses are formulated.

- 1) Socio-demographic variables don't have significant influence on views of customers about Internet Banking.
- 2) The opinion of the customers on current and potential use of Internet Banking services is not being significantly influenced by Socio-demographic variables.

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.

The study shows 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 – 1: Respondents opinion on various statements

S.No.	Statement	SD	D	N	A	SA	Mean
Respondents views about Internet Banking							
1	Page setup/Menu flow	8 (8.08)	11 (11.11)	16 (16.16)	44 (44.44)	20 (20.20)	3.58
2	Ease of use/navigation	4 (4.04)	12 (12.12)	13 (13.13)	46 (46.46)	24 (24.24)	3.75
3	Speed of page loading	5 (5.05)	14 (14.14)	19 (19.19)	32 (32.32)	29 (29.29)	3.67
4	Content and sufficient	3 (3.03)	10 (10.10)	16 (16.16)	42 (42.42)	28 (28.28)	3.83
5	Variety of transactions	7 (7.07)	13 (13.13)	18 (18.18)	39 (39.39)	22 (22.22)	3.57
6	Visual design	9 (9.09)	15 (15.15)	17 (17.17)	37 (37.37)	21 (21.21)	3.46
7	General assessment about the service	6 (6.06)	17 (17.17)	9 (9.09)	40 (40.40)	27 (27.27)	3.66
Respondents opinion on Current and potential use of IB services							
1	Review accounts balances	8 (8.08)	16 (16.16)	19 (19.19)	38 (38.38)	18 (18.18)	3.81
2	Obtain detailed account transaction histories	9 (9.09)	14 (14.14)	20 (20.20)	33 (33.33)	23 (23.23)	3.81
3	Review credit cards transactions	7 (7.07)	13 (13.13)	11 (11.11)	37 (37.37)	31 (31.31)	4.10
4	Transfer funds between own accounts	6 (6.06)	12 (12.12)	15 (15.15)	45 (45.45)	21 (21.21)	4.09
5	Transfer funds to other person's accounts	5 (5.05)	14 (14.14)	17 (17.17)	43 (43.43)	20 (20.20)	4.03
6	Transfer funds to other accounts outside the country	11 (11.11)	8 (8.08)	16 (16.16)	40 (40.40)	24 (24.24)	3.99
7	Pay bills using credit cards	4 (4.04)	13 (13.13)	21 (21.21)	39 (39.39)	22 (22.22)	4.02
8	Apply / Stop credit cards	7 (7.07)	6 (6.06)	18 (18.18)	41 (41.41)	27 (27.27)	4.17
9	Order cheque books	5 (5.05)	9 (9.09)	13 (13.13)	48 (48.48)	24 (24.24)	4.26
10	Recharge mobile cards	6 (6.06)	12 (12.12)	10 (10.10)	41 (41.41)	30 (30.30)	4.19
11	Request SMS services	10 (10.10)	15 (15.15)	8 (8.08)	37 (37.37)	29 (29.29)	3.98
12	Order to buy IPO	13 (13.13)	14 (14.14)	19 (19.19)	32 (32.32)	21 (21.21)	3.67
13	Order to buy and sell shares	9 (9.09)	12 (12.12)	18 (18.18)	38 (38.38)	22 (22.22)	3.91
14	Issue standing instructions	11 (11.11)	7 (7.07)	20 (20.20)	35 (35.35)	26 (26.26)	3.94

Source: Survey

Note: Figures in the brackets indicate percentage to total

Table-1 depicts the options given by the respondents on different statements to ascertain the satisfaction on the internet banking services provided by the banks. It can be observed from the analysis that the mean score for all the

statements lies between 3.5 and 4.3. The mean score is comparatively higher for Respondents opinion on Current and potential use of IB services followed by the Respondents views about Internet Banking. This indicates that the



respondents are more influenced with the Current and potential use of IB services.

Hypothesis: 1

Socio-demographic variables don't have significant influence on views of customers about Internet Banking.

Table-2: Mean scores of customers views on Internet Banking services, SDs obtained by the beneficiaries belonging to different groups and their respective t/F values

Sl. No.	Variable	Group	N	Mean	Standard Deviation	t / F'-Value
1	Gender	Male	68	25.44	8.01	0.118
		Female	31	25.65	7.94	
2	Religion	Hindu	65	25.23	8.85	0.396
		Muslim	18	26.78	4.60	
		Christian	7	27.00	5.86	
		Any other	9	23.78	8.24	
3	Caste	SC	18	31.22	6.28	8.472**
		ST	16	27.69	4.45	
		BC	25	19.28	9.12	
		OC	28	26.00	7.04	
		Any other	12	25.83	4.75	
4	Marital Status	Married	73	25.64	7.99	0.556
		Unmarried	9	27.78	9.36	
		Widow	7	24.29	1.50	
		Widower	10	23.30	9.31	
		Divorced	0	0.00	0.00	
5	Age	Below 20	4	24.75	6.95	3.759**
		21-30	33	28.52	5.47	
		31-40	52	24.15	9.11	
		41-50	4	15.25	0.50	
		50 Above	6	28.00	0.00	
6	Educational Qualification	Illiterate	1	7.00	0.00	11.29**
		Below 10 th	7	35.00	0.00	
		10 th / SSC	17	25.59	8.24	
		Intermediate	24	29.13	3.84	
		Graduation	15	29.27	1.67	
		P G	34	19.76	7.99	
		Other	1	28.00	0.00	
7	Occupation	Farmer	2	24.50	0.71	0.407
		Employee	21	24.52	7.48	
		Professional	15	24.93	2.46	
		Student	51	25.57	9.88	
		Other	10	28.30	0.67	
8.	Income	Below 5000	25	23.80	6.26	37.642**
		5001-10000	31	17.97	6.33	
		10001-15000	12	28.75	1.22	
		15001-20000	23	32.52	3.17	
		Above 20000	8	35.00	0.00	



Table-2 provides the information related to the opinion of the respondents on the internet banking services offered by the bank. The t-value for gender category is 0.118, which is not significant at 0.05 level. The F-value for religion category is 0.396, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the internet banking services offered by the bank based on their religion.

The F-value for caste category is 8.472, which is significant at 0.01 level. This shows that there is a significant difference of opinion on the internet banking services offered by the bank with respect to their caste. The F-value for marital status category is 0.556, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the internet banking services offered by the bank with respect to their marital status.

The F-value for age group category is 3.759, which is significant at 0.01 level. This highlights that there is a significant difference of opinion on the internet banking services offered by the bank based on their age group. The F-value for educational category is 11.29, which is significant at 0.01 level. This shows that there is a significant difference of opinion on the internet banking services offered by the bank with respect to their educational qualification.

The F-value for occupation category is 0.407, which is not significant

at 0.05 level. It shows that there is no significant difference of opinion on the internet banking services offered by the bank with respect to their occupation. The F-value for income group category is 37.642, which is significant at 0.01 level. It shows that there is a significant difference of opinion on the internet banking services offered by the bank with respect to their income group.

From the above we can conclude that there is no significant difference in the opinion on customer views on internet banking services with respect to Gender, religion, marital status and occupation. Whereas, a significant difference can be 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 view of customers on 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

The opinion of the customers on current and potential use of Internet Banking services is not being significantly influenced by Socio-demographic variables.



Table-3: Mean scores of Current and potential use of IB services, SDs obtained by the beneficiaries belonging to different groups and their respective t/F values

Sl. No.	Variable	Group	N	Mean	Standard Deviation	t / F'-Value
1	Gender	Male	68	50.25	16.63	0.174
		Female	31	50.87	16.09	
2	Religion	Hindu	65	49.86	18.28	0.36
		Muslim	18	53.00	9.35	
		Christian	7	53.43	11.91	
		Any other	9	47.22	16.95	
3	Caste	SC	18	62.39	12.65	9.133**
		ST	16	55.25	8.99	
		BC	25	37.20	18.71	
		OC	28	51.54	14.33	
		Any other	12	51.17	9.84	
4	Marital Status	Married	73	50.88	16.34	0.699
		Unmarried	9	55.22	19.21	
		Widow	7	47.43	3.21	
		Widower	10	45.10	19.73	
		Divorced	0	0.00	0.00	
5	Age	Below 20	4	48.00	14.17	3.695**
		21-30	33	56.61	11.12	
		31-40	52	47.67	18.87	
		41-50	4	29.75	0.50	
		50 Above	6	56.00	0.00	
6	Educational Qualification	Illiterate	1	14.00	0.00	10.99**
		Below 10 th	7	70.00	0.00	
		10 th / SSC	17	50.82	16.59	
		Intermediate	24	57.67	7.92	
		Graduation	15	58.13	2.92	
		P G	34	38.59	16.84	
7	Occupation	Other	1	58.00	0.00	0.5
		Farmer	2	48.50	0.71	
		Employee	21	48.38	14.84	
		Professional	15	48.93	4.15	
		Student	51	50.55	20.54	
8.	Income	Other	10	56.90	1.29	35.958**
		Below 5000	25	47.20	13.05	
		5001-10000	31	34.90	13.15	
		10001-15000	12	57.50	1.83	
		15001-20000	23	64.43	7.01	
		Above 20000	8	70.00	0.00	

Table-3 provides the information related to the customer perceived current and potential use of internet banking services. The t-value for gender category is 0.174, which is not significant at 0.05

level. This shows that there is no significant difference of opinion on the current and potential use of internet banking services with respect to their Gender.



The F-value for religion category is 0.36, which is not significant at 0.05 level. It highlights that there is no significant difference of opinion on the current and potential use of internet banking services with respect to their religion. The F-value for caste category is 9.133, which is significant at 0.01 level. It indicates that there is a significant difference of opinion on the current and potential use of internet banking services with respect to their caste.

The F-value for marital status category is 0.699, which is not significant at 0.05 level. It shows that there is no significant difference of opinion on the current and potential use of internet banking services with respect to their marital status.

The F-value for age group category is 3.695, which is significant at 0.01 level. It shows that there is a significant difference of opinion on the current and potential use of internet banking services with respect to their age group.

The F-value for educational qualification category is 10.99, which is significant at 0.01 level. This indicates that there is a significant difference of opinion on the current and potential use of internet banking services with respect to their educational qualification.

The F-value for occupation is 0.5, which is not significant at 0.05 level. It indicates that there is no significant difference of opinion on the current and potential use of internet banking services with respect to their occupation.

The F-value for income group is 35.958, which is significant at 0.01 level. It shows that there is a significant difference of opinion on the current and potential use of internet banking services with respect to their income.

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

The hypothesis, "The opinion of the customer on current and potential use of Internet Banking services is not being significantly influenced by Socio-demographic variables", may be accepted in case of gender, religion, marital status and occupation, whereas rejected in relation to caste, age, educational qualification and income.

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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