Customer perception towards Internet banking w.r.f to private and foreign banks in India

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Abstract
Banking is a highly information intensive activity that relies heavily on information technology (IT) to acquire, process, and deliver the information to all relevant customers. Banks used the Internet technology as a strategic weapon to revolutionize the way they operate, deliver, and compete against each other. As a result Online Banking was introduced as a channel where bank customers could perform their financial transactions electronically via their banks' Web sites. In this study an analysis of the differences in risk perceptions between bank customers using Internet Banking and those not using Internet Banking was done and it showed that risk perceptions in terms of financial, psychological and safety risks among customer not using the internet was more meaningful than those using internet banking. Customers not preferring to use internet banking thought that they would be swindled when using this service, and therefore, are particularly careful about high risk expectation during money transfers from and between accounts. Private and foreign banks are trying to turn more and more customer towards the usage of internet for the banking transaction. This study is basically to know the relation of various independent variables on the customer usage of internet for banking.
Key words: Internet banking, online, Bank, perception, e-banking.

Introduction

Need for internet banking: One has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. In true Internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service. The net banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

Why this research: An analysis of the differences in risk perceptions between bank customers using Internet Banking and those not using Internet Banking was done and it showed that risk perceptions in terms of financial, psychological and safety risks among customer not using the internet was more meaningful than those using internet banking. Customers not preferring to use internet banking thought that they would be swindled when using this service, and therefore, are particularly careful about high risk expectation during money transfers from and between accounts. Only 37% of Indian Internet users come from Top 10 cities i.e. Mumbai, Bangalore, Delhi, Calcutta, Chennai, Pune, Hyderabad, Ahmedabad, Surat and Nagpur**.** Another day and another number. As per IAMAI and I-cube, the number of active Internet user (i.e. ones who logon to Internet atleast once a month) is now 32 million and numbers who have used Internet at least once stands at 46 million.

Maximum of the person who are going on for internet banking lies in the age bracket of 26-35. But the rises in the age the level of users become low. Approximately 17% of female use internet banking. This is a matter of concern for banks what are the causes why this is happening.

Although many major banks have started offering i-banking services, the slow pace will continue until the critical mass is achieved for PC, internet connections and telephones. However, the upsurge of IT professionals with growing demands is pressuring the government and bureaucracy in the country to support and develop new initiatives for a faster spread of i-banking. But then to there is a fear in mind of customer using internet as a medium for the banking transaction.

This study is basically to know the relation of various independent variables on the customer usage of internet for banking.

OBJECTIVE OF THE STUDY
- Perceptual mapping of internet banking users.
- To know the cause why customers are not using internet banking
- To know which age group of customers is using different e-banking facilities

LITERATURE REVIEW

[1] <u>**Joseph et al. (1999)**</u> investigated the influence of internet on the delivery of banking services. They found six underlying dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization. <u>**Jun and Cai (2001)**</u> identified 17 service quality dimensions of i-banking service quality. These are reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and divers features. They also suggested that some dimensions such as responsiveness, reliability and access are critical for both traditional and internet banks. <u>**Jayawardhena (2004)**</u> transforms the original SERVQUAL scale to the internet context and develops a battery of 21 items to assess service quality in e-banking. By means of an Exploratory Factor Analysis (EFA) and a Confirmatory Factor Analysis (CFA), these 21

items are condensed to five quality dimensions: access, website interface, trust, attention and credibility.

[2] **IAMAI report on online banking 2006.** 43% of online banking user haven't started online financial transaction because of security reasons, 39% haven't started because they prefer face to face, 22% haven't started because they don't know how to use, for 10% sites are not user friendly and for 2% banks are not providing the facility of internet banking. According to research 68% of the customers can not say that when they will be starting the financial transactions through internet. Maximum numbers of online banking users are male and maximum of them are in age the group of 25-35. Numbers of female users are very less i.e. 17% only. More than 60% of the people who are having account with have accounts in 3-4 banks.

[3] **Meuter *et al.* (2000)** have identified critical incidents of customer satisfaction and dissatisfaction with technology-based service encounters. Given that business-to-business transactions are the fastest growing segment of technology-driven services (Hof, 1999); Meuter and his colleagues (2000) suggested investigating what drives business customer satisfaction or dissatisfaction with technologydriven services. According to Gönroos (1982), customers distinguish the quality of customer interactions that take place during service delivery (functional quality) and the quality of the outcome the customer receives in the service encounter (technical quality).

[4] **The Indian Internet Banking Journey** In 2001, a Reserve Bank of India survey revealed that of 46 major banks operating in India, around 50% were either offering Internet banking services at various levels or planned to in the near future. According to a research report,(India Research, Kotak Securities, May 2000.) while in 2001, India's Internet user base was an estimated 9 lakh; it was expected to reach 90 lakh by 2003. Also, while only 1% of these Internet users utilized the Internet banking services in 1998, the Internet banking user base increased to 16.7% by mid- 2000

RESEARCH METHODOLOGY
RESEARCH TYPE
We use descriptive research and exploratory research design in our studies. **Descriptive** research is also called Statistical Research. The main goal of this type of research is to

describe the data and characteristics about what is being studied. The idea behind this type of research is to study frequencies, averages, and other statistical calculations. Although this research is highly accurate, it does not gather the causes behind a situation**.** Descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation.

Here we also tried to find out the main cause why there is perceptual blocking of the Indian customers towards internet banking. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time.

DATA COLLECTION

Primary Data: Structured Questionnaire

Secondary Data: Online Database, Journals, Surveys

SAMPLING

We have used **convenience** sampling technique. It is also called haphazard or accidental sampling. Members of the population are chosen based on their relative ease of access. To sample friends, co-workers, or shoppers at a single mall, are all examples of convenience sampling. Sometimes called *grab* or *opportunity* sampling, this is the method of choosing items arbitrarily and in an unstructured manner from the frame. Though almost impossible to treat rigorously, it is the method most commonly employed in many practical situations.

Sample Unit: NCR Internet Users (for banks)

Sample Technique: Convenient sampling

Sample Area: NCR

Sample Size: 150

TOOLS

Statistical : SPSS

Techniques : MDS and Multiple Regression

Results and Discussion

MDS (Multidimensional scaling)

After filling up the 63 column and 120 rows of SPSS data we get the table of responses of 120 respondents' perception about our 6 brands and their 9 attributes. We calculate the weighted mean of every column and finally we get the 6*10 matrix form of our weighted mean MDS data, which would be input to SPSS for final MDS output. The 6*10 matrix is given below-

Parameters	Detuch	Hdfc Citibank	Icici Hsbc	Yesbank	
Accessib 2.8545	2.8800	3.4179	3.4706	3.2791	3.4051
Account 2.8824	2.9517	3.5385	3.5550	3.2532	3.3819
Bank ser 2.7358	4.2475	3.6963	3.5468	3.9609	4.0975
Convenie 2.7734	2.8101	3.5365	3.8282	2.8101	3.4356
design 2.7429		3.2441	3.8142	3.5550	3.0222	3.1170
Encourag 2.7836	2.6790	3.2791	3.5385	2.8698	3.4051
Location 2.4000	3.2687	3.2574	3.1222	2.9707	2.8500
Training 2.4468	2.1745	3.2791	3.7123	2.6493	3.3490
user fri 2.9401	3.8692	2.7087	3.3544	2.6238	3.4051

The Lower Triangular matrix

```
                  Raw (unscaled) Data for Subject 1

                        1              2              3              4
5           6

            1        .000
            2      2.172         .000
            3      2.393         .932         .000
            4      1.511        1.407        1.937         .000
            5          1.786              1.163              .954
1.361       .000
            6      2.061        2.264        2.475        1.540
2.146         .000
```

☝

The index of fit or R-square and stress should be measured. Thus R-square indicates goodness of fit, whether stress value represents badness of fit. So for any research higher value of R-square and lower value of Stress is expected. The high R-square value represents MDS model is well fitted with the given problem. In our case,

Stress = .01817   RSQ = .99785

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                 Young's S-stress formula 1 is used.

             Iteration      S-stress       Improvement

                 1             .02311
                 2             .01992           .00319
                 3             .01838           .00154
                 4             .01698           .00139
                 5             .01564           .00134
                 6             .01434           .00130
                 7             .01327           .00107
                 8             .01266           .00061


                     Iterations stopped because
              S-stress improvement is less than    .001000

           Stress and squared correlation (RSQ) in distances

                 For  matrix
      Stress  =    .01817        RSQ =  .99785

              Configuration derived in 2 dimensions

                    Stimulus Coordinates


                         Dimension

  Stimulus    Stimulus      1          2
   Number       Name

      1       DETUCH      1.1537    1.4040
      2       HDFC       -1.0363    -.3486
      3       CITIBANK   -1.5704    -.1294
      4       ICICI        .5452    -.0590
      5       HSBC        -.7060     .3541
      6       YESBANK     1.6138   -1.2210


          Optimally scaled data (disparities) for subject
1

                      1           2           3           4
5           6

              1      .000
              2     2.800        .000
              3     3.126        .577        .000
              4     1.590       1.590       2.126       .000
              5           2.126             .890             .890
1.318        .000
```
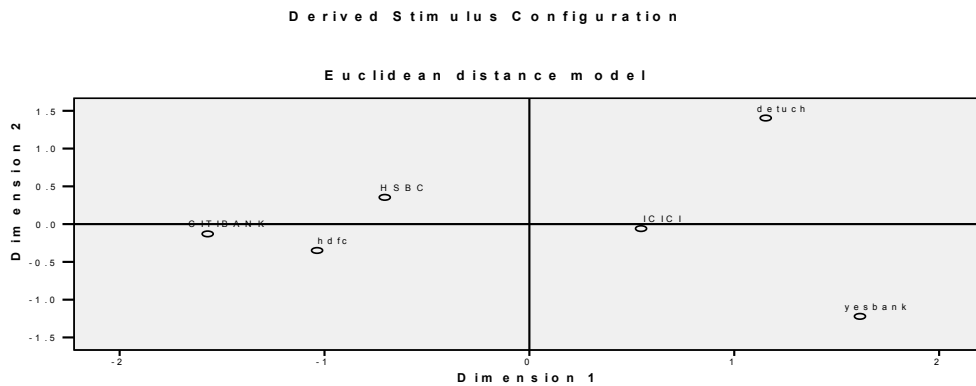
```
          6      2.665      2.800      3.366      1.590
2.800           .000
```

Derived Stimulus Configuration

Euclidean distance model

As we can detuch bank is leading in both d dimensions where as there is a competition between HSBC Citibank and hdfc. But the least is among the yesbank. Icici bank is close to positive response but here we can see that there is some areas where the bank has to work on to improve.

For your choice of an Internet bank, please indicate how much each of the following factors (were) are important for you:
MEAN OF ALL RANKS

Statistics

		Convenience	Curiosity	rates	Safe	Charge	transaction	shopping
N	Valid	120	120	120	120	120	120	120
	Missing	0	0	0	0	0	0	0
Mean		3.1083	2.9333	2.9667	2.9833	2.7083	2.9250	2.5083

BY THIS WE CAME TO KNOW THAT PEOPLE USING INTERNET BECAUSE OF CONVINENCE ARE MOE AND LESS BECAUSE O SHOPPING.

The main reasons that you have not opened an Internet bank account yet? (Check all that apply)

Statistics

		NEVERHRD	SECURITY	TIME	DNTWNT	CHECKFIRST	NOTAVALIABL	OTHERS
N	Valid	30	30	30	30	30	30	30
	Missing	0	0	0	0	0	0	0
Mean		3.0000	3.3333	2.6000	3.1333	2.5000	2.9333	2.6000

Security is the main reason why people are not opening the internet bank acounts where as the second highest goes to they don't want to try new thing.

CONCLUSION

There is still a lot needed for the banking system to make reforms and train there customers for using internet for there banking account. Going through the survey the main problem lies that still customer have a fear of hacking of accounts and thus do not go on for internet banking. Banks are trying there level best by providing the best security options to the customers but then to there is lot of factors which betrays a customer from opening an internet bank account.

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