
Consumer Perception on Online Banking : An Analytical Study

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Abstract

Global competition, innovative technological advancement and speedy changes in the lifestyles of the society have changed the face of banking institutions. Now-a-days, banks are seeking alternative ways to provide services as per expectations of their customer and differentiate their services with those of the competitors. Increasing number of the electronic delivery of banking services are becoming very common in the society. The use of information technology in banking sector has been termed as Internet banking, new age banking, and online banking. The technology-driven online banking services includes: Automated Teller Machines (ATM), Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), Tele-banking, Internet banking etc.

Internet banking is concerned with online inquiry or banking transactions without any reference to the branch anywhere at any time. Online banking system can have some issues such as environmental instability, user's competence, security, trust, and privacy. These have all been cited as factors contributing to consumers' apprehensiveness toward internet use. In India, almost all banking businesses are controlled by Public Sector Banks (PSBs). Public Sector Banks are still dominating the commercial banking system. Now with the beginning of well-computerized foreign banks, there is a stiff competition for the nationalized banks. The proposed study is an attempt to address the security issues of online banking transactions and consumer perception about the internet banking operations.

Key words: *Online Banking , Consumer Perception, Nationalized Banks, Customer Satisfaction.*

Introduction

In India, traditional branch-based banking remains the most widely adopted method of conducting banking transaction. At present, commercial banks are undergoing a rapid change mainly driven by the information & telecommunication (ITC) technology. In India, ICICI bank pioneered in mobile banking services and among public sector banks, Union Bank of India was first to introduce mobile banking. The success of e-commerce can be guaranteed merely by offering low price services and worldwide access

to internet facilities. Quality customer services can help an organization to achieve targeted results in an

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online transaction. Online banking has benefits like cost savings, quick service delivery, reduced wait time, higher perceived levels of customization and convenient access to services without time or space constraints etc. which is expected to appeal the consumers. The advancement of information technology also appeals to consumers banking institutions because it helps to reduce labor and service cost and ensure standardize service delivery with more options and better customer reach which are unreachable through other channels. In spite of numbers of benefits of online banking, adoption of this type of banking by consumers is low. The comScore, a research firm data shows that during April 2012, more than 423.5 million people accessed online banking sites globally. Such a low adoption rate is the challenging task for banking institutions (Gefen et al 2003). The consumer adoption rate of online banking can be increased only by adapting better management and full proof security cover.

The banking institutions are facing challenges of stiff competition posed by foreign banks and advancement of technology. The services provided by banks are easily available and it is convenient for customers with ATM stations all over the country. Efforts are being put to ensure consumer satisfaction by providing better quality services. As Customer's time and convenience are more important, different types of services are introduced such as the customer Phone banking and Internet banking. Today, the whole banking system has become more convenient and faster from the customer as well as banks point of view (Singh and Arora, 2011).

Though internet innovations continue to be introduced providing choices of adoption by customers, they are not entirely comfortable and hence reluctant regarding new technologies. The internet potentially offers numerous advantages to users with limitations associated as well. Currently, there is no direct regulatory system to control the internet sites to ensure credibility, legitimacy, or accuracy of information presented or products offered (Susskind et.al.2010).

Electronic banking through the new technology, includes Internet banking, Telephone banking, and Mobile banking etc. The internet technology is

replacing the traditional channels of banking business in developing countries (Al-Hajri and Tatnall, 2008). Internet banking can improve payment efficiency, competitiveness, reduces operation cost and create new customers for a bank who are internet friendly, but from the customer's behalf internet banking is not so important as compared to ATM and Tele-banking.

Ahmed et.al. (2009) found that lack of trust in technology, lack of resources and security of online transaction are major barriers in technology adoption in the banking sector. In case of IT enabled services, quality of services are judged on the basis of reliability, functionality, responsiveness and privacy for services driven by technology (Zeithaml, 2002). Consumers' attitude towards the technology is an important issue in adaptation of the particular technology or technique. Gopi and Ramayah, (2007) reported that the more positive attitude of an individual towards technology leads to more likely behavioral intention to adopt the same technology. Tan and Teo, (2000) reported that understanding users' attitude towards the adaption of new technology is one of the most challenging issues in technology adaption.

Security issue in on-line banking system is very pertinent concern for consumers as the cases of password hacking or cyber crime are increasing in day to day practices worldwide. Aladwani (2003) confirms the security concerns in e-commerce and Internet banking as internet security was ranked the first concern for customers and business managers with respect to e-commerce usage. If the security is ensured in the on-line banking practices, the users of online services will increase speedily.

On line Transactions require willingness and trust among sellers and buyers because trust is an important element for on-line transactions (Pittayachawan, et. al. 2008). Trust is needed and the system of trust to be encourage both among internet transactions and among internet vendors. Trust mechanisms can be divided into three categories; seals, rating, and guarantees. Seals placed on vendor's website to ensure customers that the systems are safe. Transaction rating systems are tools to provide customers giving feedback to the vendor (Pennington et. al. 2004).

Since internet-banking is becoming popular among customers and the bankers, it is essential for the system to be convenient, easy, cost effective and time savvy for bank customers. The bank can enhance customer base and make planning for the future with the help of internet-banking (Uppal 2011). Christopher et. al. (2006) reported that E-banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable and successful. Vyas (2004) observed effective implementation of e-banking services in private banks and foreign banks, whereas, nationalized banks were found to have lesser degree of computerization.

The studies shows that consumers who are less inclined and are uncomfortable in using the internet for on-line shopping, are likely to have feelings of uncertainty, insecurity or uneasiness toward the internet. The present study is an attempt to analyze the consumer perceptions about online banking operations and measure consumer satisfaction of online banking services.

Objectives

The objectives of the study are as follows:

- To analyze consumer perception about the online banking operations.
- To examine the security issues of online banking activities.
- To measure customer satisfaction with on line-banking services.

Methodology

The respondents were given a questionnaire measuring their perceptions toward internet use behavior of on-line banking activities. Data collection have been done in four category such as one lack of response, second general internet appreciation, third transactional appreciation and fourth consumers perception about banking system. Consumer perceptions on the banking services where measured on five point likers scale ranging from excellent to words. Data were collected from the students VBS Purvanchal University Jonepur.

Reliability of the Scale:

The research instrument was tested for reliability using Cronbach's coefficient alpha. The Cronbach's alpha value of the scale is .871 which confirms that the tool used for the data collection is reliable.

Sample Profile:

The sample profile of the respondents is presented below (Table-1):

Age:

A great majority (60%) of the respondents were from young age group i.e. upto 30 years of age, while 22% of the respondents belong to middle age group i.e. 30 to 40 years, and rest 18% of the respondents were from older age group i.e. more than 40 years.

Education:

At most all (98%) of the respondents were highly educated with 64% post graduation and 34% of the respondents were having Ph. D.

Gender:

A great majority (71%) of the respondents were male.

Income:

A great majority (75%) of the respondents belong to middle income families whose monthly income is between Rs.30,000 to Rs.40,000, and 20% of the respondents were from lower income families their monthly income is less than Rs.30,000. While rest 5% of the respondents were from middle higher income group i.e. more than Rs. 40,000 per month.

Occupation:

An overwhelming (84%) of the respondents were from service class families and rest (16%) of the respondents belongs to business families.

Family Size:

Around half (48%) of the respondents

were having small family size i.e. less than three members in their family, more than one third (36%) of the respondents were having middle family size (three to five members) and rest (16%) of the respondents belong to large families i.e. they are having more than five members in their family.

Table-1
Sample Profile

Demography Factors	Category	Percentage
Age	Upto 30 Years	60
	30 to 40 Years	22
	40 and above	18
Education	Graduation	2
	Post graduation	64
	Ph. D.	34
Gender	Male	71
	Female	29
Income (Family)	Upto Rs.30000	20
	Rs.30000 to 40000	75
	Rs.40000 and above	5
Occupation	Service	84
	Business	16
Family Size	Upto Three Members	48
	Three to Five Members	36
	Five and above Members	16

Results:

Primary data collected from the students of VBS Purvanchal University, Jaunpur about on line banking services were analyzed with the help of PASW 18. The consumer perception of banking services were measured with twelve attributes and the online security variables like lack of responsiveness were collected on seven items, general internet apprehensiveness collected on four items and transactional internet apprehensiveness measured with nine items and are presented below:

Lack of Responsiveness:

Lack of Responsiveness (LoR) in the transaction with on line banking services were measured (Cegala et.

al., 1982) with the help of seven items on five-point scale ranging from “very much like me— — — — — not like me at all”, and it was found that the respondents do not know how to respond to the queries of others and they are also not certain that how accurately their responses are received by others as the mean of these items is more than 4. It is also found that the respondents are clear what to do when they are late to respond on some issues while using internet as the mean value of the item is less than 3. As the technology is changing with a great pace, it is also seen in online banking activities as the respondents reported that they are not sure what role to take as a user and how to interact with others, they also feel uncomfortable while responding to others, they feel sort of distant as the mean value of these items is more than 3 but less than 4 (table-2).

Table-2

Lack of Responsiveness

S.NO.	Items	Mean	S.D.	S.E.
1	Often, while using the internet, I am not sure how to respond to queries made by other	4.57	.75	.778
2	Often, while using the internet, I am not sure what role to take as a user and how to interact with others on-line	3.39	1.10	.113
3	At times, while using the internet, I know how to respond to communication but feel uncomfortable doing so	3.46	1.07	.111
4	While using the internet, I feel withdrawn and distant	3.47	.92	0.095
5	While using the internet, I often feel like I do not know what to do until it is too late	2.20	.45	.047
6	Often, I feel sort of distant while using the internet	3.99	1.62	.167
7	Often, I feel uncertain that others are accurately receiving my internet Communication	4.17	1.35	.139

General Internet Apprehensiveness:

General Internet Apprehensiveness (GIA) of the consumer about on line banking services was measured with the help of four items on a five-point scale ranging from "strongly disagree — — — — — - strongly agree". It was found that the consumers are not uncomfortable with the use of internet as the

respondents disagree with the item, 'communicating with the internet usually makes me uncomfortable' as the mean value of the item is 1.14 with .60 S.D. and .062 SE. Respondents reported that they are comfortable and feel relaxed while using the internet and they use it for variety of reasons as the mean value of these items were more than 4.50 (table-3).

Table-3

General internet apprehensiveness

S.NO.	Items	Mean	S.D.	S.E.
1	Generally, I am comfortable using the internet to gather information	4.88	.53	.054
2	I like to use the internet for a variety of reasons	4.83	.43	.044
3	I am usually calm and relaxed while using the internet	4.70	.50	.052
4	Communicating with the internet usually makes me uncomfortable	1.14	.60	.062

Transactional Internet Apprehensiveness (TIA):

Consumer responses about Transactional Internet Apprehensiveness (TIA) were measured with the help of nine items (all of which were adapted from Mckenskey's 1977) on a five-point Likert type scale ranging from "strongly disagree — — — — — strongly agree". It was found that the respondents were afraid while making online purchase at time, but they like to use the internet to purchase airline

tickets, book hotel rooms, or other travel-related services etc as the mean value of these two items was more than four. It is also found that the consumer feel relaxed while purchasing online products and services and they have no fear of using the internet to make online purchases and they are comfortable with the purchase of Rs.10,000 or more than Rs.10,000. items through online, as the mean value of these items is less than three but more than two (table-4).

Table-4

Transactional Internet Apprehensiveness

1	I am very relaxed when using the internet to purchase products or services	Mean	SD	SE
		2.13	.85	.087
2	I have no fear of using the internet to make on-line purchases	2.11	.78	.081
3	Ordinarily, I am very calm and relaxed when making on-line purchases	2.95	.54	.055
4	I am afraid to make on-line purchases at times	4.00	.25	.026
5	I have no fear of making on-line purchases	2.23	.61	.063
6	I feel perfectly comfortable using the internet to make on-line purchases under Rs.10,000	2.62	.96	.099
7	I feel perfectly comfortable using the internet to make on-line purchases over Rs.10000	2.70	.85	.088
8	The security of my credit card for use with on-line purchases concerns me	2.34	.58	.061
9	I would use the internet to purchase airline tickets, book hotel rooms, or other	4.82	.52	.051

Consumer Perception about Banking Services

Consumer perceptions about banking services (Singh et. al., 2011) were measured on five-point scale ranging from 'Excellent — — — — Worst'. It was observed that the services like locker facility, traveler cheque, loan facility, mail transfer, cash credit facility, cheque deposit facility, stop payment facility of cheques etc were evaluated excellent by the

respondents as the mean value of these service attributes were more than four, and the services like cheque clearing, insurance of demand draft, term deposit, cheque clearing status enquiry etc were evaluated good by the respondents as the mean value of these services is more than three but less than four. Only one service attribute i.e. 'gift cheque facility' was perceived as an average as the mean value of the item is 2.79 (Table-5).

Table-5

Consumer Perception about Banking Services

S. NO.	Items	Mean	S.D.	S.E.
1	Locker	4.91	0.38	.039
2	Traveler cheques	4.76	0.54	.056
3	Loan	4.42	0.97	.100
4	Mail transfer	4.33	1.17	.120
5	Cash credit facility	4.54	0.79	.081
6	Gift cheques	2.79	1.78	.183
7	Cheque deposit	4.55	0.81	.084
8	Cheque clearing	3.14	1.74	.180
9	Issuance of demand draft	3.63	1.31	.136
10	Term deposit	3.54	1.31	.135
11	Cheque clearing status enquiry	3.50	1.31	.135
12	Stop payment facility of cheque	4.34	1.10	.114

Consumer Perception and on -Line Banking Activities

Consumer perception about the banking services like traveler cheque, loan facility, mail transfer cash credit facility, cheque deposit and stop payment facility of a cheque is having a significant relationship with the online banking activities variables such as lack of responsiveness (LoR), general internet apprehension (GIA) and transaction internet apprehension (TIA) and the bank services like; cheque clearing, issuance of

demand draft, term deposit and cheque clearing status enquiry was not found to have any significant relationship with LOR, GIA and TIA. The availability of locker facility with the banks was found significant relationship with TIA. The online banking activity like LOR and GIA were found significant relationship with the services of 'gift cheque facility' of the banks. Statistical correlation co-efficiencies have been calculated to find association between banking services and three groups of variables and level of significance have been listed

Table-6
Correlation of on-Line Banking Operations and Consumer Perceptions
through Lor GIA & TIA

Banking Service Component	LoR	GIA	TIA
Locker	.027	.111	-.900**
Traveler cheques	.432**	.369**	-.591**
Loan	.971**	.733**	-.255*
Mail transfer	.792**	.505**	-.302**
Cash credit facility	.847**	.864**	-.542**
Gift cheques	.266**	.211*	.161
Cheque deposit	.879**	.755**	-.427**
Cheque clearing	-.047	-.163	.164
Issuance of demand draft	-.066	-.142	.054
Term deposit	.029	.071	.072
Cheque clearing status enquiry	.076	-.051	.182
Stop payment facility of cheque	.968**	.788**	-.208*

Conclusion

Results of the study show that the respondents have positive perceptions about the use of on-line banking services. This may be because of their high propensity to adapt the technological changes and curiosity to use the new technology. The online banking activities like lack of responsiveness, general internet apprehensiveness and transactional internet apprehensiveness were found to be highly concerned area for the respondents. Online is time saving and low price activity to avail the banking facility but the security issue were found to be very important as the increasing cases of cyber crime were reported and due to low level of literacy of the people about the use of internet in the society. All these can slow down the pace of online banking though online services are highly accepted and used by the people in the society at a large scale for booking of hotel rooms, purchasing of air or rail tickets and availing other travel related services.

Consumer satisfaction is an important component for an industry not only to excel but for its survival. Whatever services are offered by the banking institutions, it is to be focused whether the expectations of the consumers are met or not. The service provider should have to design their services in the line of the consumer expectations. Technological changes are happening with high speed due to advancement in science and technology but its adaptation in the society is not with that pace. It is also important to create awareness and initiate literacy campaign to teach the consumer groups about these new technological changes and techniques of availing online services. It is necessary to make the technology customer friendly to attract more access in the society and mass level adaptation of online services for efficiency and spread banking services.

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