

## **CUSTOMER PERCEPTIONS OF DIMENSIONS OF ONLINE BANKING SERVICES**

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### **Abstract**

The banking industry has emerged as an integral sub-system of the financial sector which caters to banking needs of both public and private sector. Infact, banking is an institution that deals in money and its substitute and provides other financial services. Banking has modernized itself in a big way in the recent past by way of introducing vital reforms, an E-banking in its fold. E-banking not only offers supply and deliver banking products and services through various electronic delivery channels via electronic devices but also provide for efficient services. The penetration of internet in the E-banking has further taken the banking services to the new heights as the electronic devices get connected globally to share the information such as text, graphics, voice video and computer programme. Internet banking or Online banking allows the banking transactions that are performed by a secured internet application. Through internet banking services, one can pay bills, transfer funds and check transactions any time of the day 24×7. Online banking has caught the imagination of the banking industry and the people world over. In the present paper the efforts has been made to study the satisfaction level of the customers as well as perception of the customers towardsonline banking services rendered by the public sector banks in Madurai city.

Key Words: Online banking, Customer satisfaction, Banking industry and Technology.

## Introduction

Finance function is the backbone of business transactions. Business transactions are undergoing day-by-day technological change. So, traditional form of Finance Function is not enough to cope-up with pace of changing technological scenario. The comprehensiveness form of this technological change in finance function is E-banking. E-banking is of recent origin, especially in India, it is still in its adolescent age. The rapid spread of technology has made the Internet the best channel to provide banking services and products to customers. Banks now consider the Internet variables as part of their strategic plan. It will revolutionize the way banks operate, deliver and compete, especially because the competitive advantages of traditional branch networks are eroding rapidly.

Customers now demand new levels of convenience and flexibility in addition to powerful and easy to use financial management tools, products and services that traditional retail banking cannot offer. Online banking has allowed banks and financial institutions to provide these services by exploiting an extensive public network infrastructure. Online-Banking is a relatively new concept used to define banks that do not have a physical location such as a branch, but offer services only through the Internet and ATMs to deposit or withdraw funds. Online banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions.

Online banking differs in many ways from traditional branch banking. In online banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking. In online banking, customers have direct access to a bank's information system from home, work, school, or any other place where a network connection is available. In this new situation, the customer is defined as an end-user of the bank's data processing system.

From a bank's perspective, using the Internet is more efficient than using other distribution mediums because banks are looking for an increased customer base. People are becoming more comfortable with banking online and they believe that it will become necessary for all community banks to offer online-banking services.

## Online Banking

"Online banking" refers to systems that enable bank customers to access accounts and general information on bank products and services through a personal computer (PC) or other intelligent device. Online banking products and services can include wholesale products for corporate customers as well as retail and fiduciary products for consumers. Some examples of wholesale products and services include:

- \* Cash management.
- \* Wire transfer.
- \* Automated clearinghouse (ACH) transactions.

- \* Bill presentment and payment.

Examples of retail and fiduciary products and services include:

- \* Balance inquiry.
- \* Funds transfer.
- \* Downloading transaction information.
- \* Bill presentment and payment.
- \* Loan applications.
- \* Investment activity.
- \* Other value-added services.

## Levels of Online Banking

Currently, the following three basic kinds of Online banking are being employed in the marketplace:

- \* **Informational** — This is the basic level of Internet banking. Typically, the bank has marketing information about the bank's products and services on a stand-alone server. The risk is relatively low, as informational systems typically have no path between the server and the bank's internal network. This level of Internet banking can be provided by the bank or outsourced. While the risk to a bank is relatively low, the server or Web site may be vulnerable to alteration. Appropriate controls therefore must be in place to prevent unauthorized alterations to the bank's server or Web site.
- \* **Communicative** — The next level of Internet banking system allows some interaction between the bank's systems and the customer. The interaction may be limited to electronic mail, account inquiry, loan applications, or static file updates (name and address changes). Because these servers may have a path to the bank's internal networks, the risk is higher with this configuration than with informational systems. Appropriate controls need to be in place to prevent, monitor, and alert management of any unauthorized attempt to access the bank's internal networks and computer systems. Virus controls also become much more critical in this environment.
- \* **Transactional** — This level of Internet banking allows customers to execute transactions. Since a path typically exists between the server and the bank's or outsourcer's internal network, this is the highest risk architecture and must have the strongest controls. Customer transactions can include accessing accounts, paying bills, transferring funds, etc.

## Benefits of Online Banking

The following are benefits which are derived by the customers from online banking:

- \* For the online banking customer, the convenience factor rates high. Unlike your corner bank, online banking sites never close. They are available 24 hours a day, seven days a week. One can check the balance every day just by logging onto one's

account. In addition to checking balances and transactions, one can catch discrepancies in the account right way and deal with them swiftly. If you're out of state or even out of the country when a money problem arises, you can log on instantly to your online bank and take care of business.

- \* There is no necessity of writing checks, affixing postage and posting the payment in the mail as bills are paid online. Once the amount is entered and the payee is checked off, the funds are automatically deducted from the payer's choice of account.
- \* Online bank sites generally execute and confirm transactions at or quicker than ATM processing speeds. You can access and manage all of your bank accounts, including IRAs, CDs, even securities from one secure site.
- \* Many online banking sites now offer sophisticated tools, including account aggregation, stock quotes, rate alerts and portfolio managing programs to help the customer to manage all of their assets more effectively.
- \* Banks pass the money they save on overhead like buildings and tellers to customers in the form of higher yields, lower fees and more generous account thresholds. Since the cost to the bank is minimal, the cost to the consumer, in many cases, is also minimal. While there is usually a fee for Online banking, it can be extremely low.
- \* Online banking also eliminates paper waste, which is a plus not for those who have to handle all the paper work, but also for the environment.

### **Issues in Online Banking**

Financial institutions, their card associations, and vendors are working to develop an Internet payment infrastructure to help make electronic commerce secure. Many in the banking industry expect significant growth in the use of the Internet for the purchase of goods and services and electronic data interchange. The banking industry also recognizes that the Internet must be secure to achieve a high level of confidence with both consumers and businesses. Sound management of banking products and services, especially those provided over the Internet, is fundamental to maintaining a high level of public confidence not only in the individual bank and its brand name but also in the banking system as a whole. Key components that will help maintain a high level of public confidence in an open network environment include:

- \* Security
- \* Authentication
- \* Trust
- \* Nonrepudiation
- \* Privacy

## Statement of the problem

Internet is dramatically changing how financial services are designed and delivered to consumers. With the advent of E-Banking, the whole scenario of banking has changed. The innovative trends like Internet-banking has taken over the conventional channels of delivery of services and the customers have saved time, energy and work paper. By taking into account the significance of information technology and computer networking, their pivotal role in the banking sector and customers' preference of online banking service, being offered by the bank, this study is an attempt to bring out the perception of the customers towards online banking service rendered by Public sector banks, in line with the customer satisfaction.

## Objectives of the study

- \* To measure the perception of the customers towards online banking services rendered by the selected public sector banks in Madurai city.
- \* To measure the level of customers satisfaction towards online banking services.
- \* To suggest the measures to strengthen the online banking services provided by the Public Sector Banks.

## Research methodology

The present study is based on both primary and secondary data. Primary data was collected from the customers of selected public sector banks viz State Bank of India, Union bank of India and Indian Overseas bank through structured questionnaire. The secondary data was collected from the journals, magazines, Internet and other published data. In this study, sample of 150 customers, 50 each from the selected three public sector banks in Madurai city was chosen on the basis of simple random sampling technique to assess level of satisfaction of customers regarding the online banking services provided by the above mentioned public sector banks.

## Data Analysis and Interpretation

### \* Measure of Perception of customers towards online banking services

The perception of the sample customers regarding the efficiency, fulfilment, trust and responsiveness dimension has been analysed with the help of a scaling technique. The above mentioned perception dimension has been measured with the help of scores allotted to five statements related to four categories of dimension on a five point scale viz SA-Strongly Agree(5), A-Agree (4),No-Opinion(3), DA- Disagree (2) and SDA- Strongly Disagree (1)

**Table 1**  
**Perception of customers towards efficiency dimension**

S.No.	Statements	SA	A	NO	DA	SDA
1	Able to get on the website quickly	95	55	0	0	0
2	Easy to find the need on the website	94	40	16	0	0
3	Complete the transactions through bank's website quickly	86	64	0	0	0
4	Using the bank's website does not require lot of effort	34	77	22	17	0
5	Organisation and structure of online content is easy	45	67	38	0	0

Source: Primary data

It is observed from the above table that the perception of the customers on the statement that able to get on the bank's website quickly gets the maximum score and using the bank's website does not require lot of effort gets the least score.

**Table 2**  
**Perception of customers towards fulfillment dimension**

S.no.	Statements	SA	A	NO	DA	SDA
1	Bank keeps the promises	51	67	24	8	0
2	Site is always available for business	66	55	29	0	0
3	Online transactions with the bank are always accurate	110	40	0	0	0
4	Services delivered through bank's website is quick	72	70	8	0	0
5	Bank's site make accurate promises about the services	30	90	14	16	0

Source: Primary data

It is observed from the above table that the perception of the customers on the statement that online transactions with the bank are always accurate gets the maximum score and the bank's site make accurate promises about the services gets the least score.

**Table 3****Perception of customers towards trust dimension**

S.no.	Statements	SA	A	NO	DA	SDA
1	Bank does not misuse the personal information	59	83	8	0	0
2	Have confidence in bank's service	36	98	8	8	0
3	Site launches and runs quickly	23	105	22	0	0
4	Feel safe in my transactions with the bank	74	61	15	0	0
5	Bank name is well known and has good reputation	102	48	0	0	0

Source: Primary data

It is observed from the above table that the perception of the customers on the statement that bank name is well known and has good reputation gets the maximum score and the bank's site launches and runs quickly gets the least score.

**Table 4****Perception of customers towards responsiveness dimension**

S.no.	Statements	SA	A	NO	DA	SDA
1	Website design is aesthetically attractive	36	98	8	8	0
2	Give prompt responses to requests by e-mail or other means	15	98	37	0	0
3	Bank is easily accessible by telephone	29	84	37	0	0
4	Quickly resolves the problems encounter with online transactions	15	98	22	15	0
5	Customer service representatives available online	44	39	22	45	0

Source: Primary data

It is observed from the above table that the perception of the customers on the statement that bank web site design is aesthetically attractive gets the maximum score and the customer service representatives available online gets the least score.

\* **Satisfaction level of the customers towards online banking services**

**Table 5**  
**Level of customers' satisfaction**

Dimension	Satisfaction level	No. of Responses	Percentage
Efficiency	Highly satisfied	21	14
	Satisfied	57	38
	Moderate	61	40.6
	Dissatisfied	10	6.6
	Highly Dissatisfied	01	0.6
Fulfillment	Highly satisfied	25	17
	Satisfied	78	52
	Moderate	38	25
	Dissatisfied	09	6
	Highly Dissatisfied	0	0
Trust	Highly satisfied	19	13
	Satisfied	43	29
	Moderate	63	42
	Dissatisfied	15	10
	Highly Dissatisfied	10	7
Responsiveness	Highly satisfied	12	8
	Satisfied	32	21
	Moderate	57	38
	Dissatisfied	33	22
	Highly Dissatisfied	16	11

Source: Primary data

It is observed from the above table that most of the customers have moderate level of satisfaction (40.6%) towards the efficiency dimension of online banking services rendered by

the banks. Even though majority comes under the moderate level fair majority of the customers are satisfied with the online banking services rendered by the selected public sector banks. Towards the fulfilment dimension of online banking services most of the customers (52%) are satisfied with the online banking services rendered by their banks. Regarding the trust, most of the customers (42%) have moderate level of satisfaction towards their bank's online services and with respect to bank responsiveness most of the customers (38%) have moderate level of satisfaction.

### Suggestions

- \* Using bank's website does not require lot of effort gets the least score among the perception of the customers towards efficiency dimension. This is due to the reason that they might have faced some problems while transacting through online. Their problems should be addressed immediately and utmost importance should be given to solve the problems. Proper counselling regarding the operation of the online banking services should be provided to the customers. The public sector banks can provide online demonstration and training to new or potential customers.
- \* Customers perception towards bank's site makes accurate promises about the services and customer service representatives available online get the least score. It is very important for public sector banks to associate more with technology and good infrastructure facilities to provide timely and efficient services to the customers.  
  
Customers needs grow with no limits, and it is very much evident from the various services offered by the other banks day to day. Not just to rebel the competition with the private and foreign banks, but also to retain the existing customers it is very necessary that the public sector banks take a charge on this.
- \* Public sector banks are always known for the trust, they have developed with the customers and for their existence in the society for a very long period of time. It is suggested that the public sector banks keep the trust factor and improve on the other aspects of service quality. Hence banks have to revise their traditional practices and adapt themselves to satisfy the needs of the customers and gain their trust and confidence in them.
- \* With the increase in the spread of technology, it is also essential that banks should maintain the security to the advanced level to keep the faith of customer and it is essential that the customer has faith in the system. Therefore, banks need to put in place computer security-related hardware and software such as firewalls, encryption programs and virus protection software. PKI (Public Key Infrastructure) is the most favoured technology for secure Online banking services. The customers should be made aware of the benefits of online banking. If the banks bring this factor to the notice of the customers, certainly there will be migration of customers from the bank branch to the Online banking. This will not only help the bank in retaining their customers but also in attracting new customers.

- \* Customers were not using all of the online banking services provided by bank because of different reasons such as lack of know-how regarding the method of using services, doubt about the safety and security of these services etc., the customers must be apprised of the online banking services provided by bank and details on the usage of these services along with the security related issue should be displayed inside the bank in detail. There should be 24x7 helpline to assist the customers on online banking services. By providing this facility the bank can increase the satisfaction level of their customers.

## Conclusion

Online banking is changing the banking industry and is having the major effects on banking relationships. Online 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. As more banks succeed online and more customers use their sites, fully functional online banking likely will become as commonplace as automated teller machines. Online banking services have revolutionized the functioning of the entire banking sector. It has not only increased the ease of bank transactions, but also has reduced time and cost of these transactions. Banks have invested huge chunk to set-up these facilities. The success of Online banking depends on a bank’s ability to get customers to switch to online banking. Customers have to be educated in the use of every new technology, as they have been used only to the traditional banking system. On the whole, Online banking increases operational efficiencies and reduces costs, besides giving a platform for offering value added services to the customer, thereby fulfilling all the essential pre requisites for a flourishing banking industry.

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