

# CUSTOMERS' PERCEPTION TOWARDS ELECTRONIC BANKING SERVICES OF THE ICICI BANK IN KARUR BRANCH

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## Abstract

With the rapid growth in electronic commerce, it is obvious that electronic banking and payments are likely to advance more or less in tandem with e-commerce. Electronic banking is the latest in this series of technological wonders in the recent past involving use of internet for delivery of banking products and services. E-banking offers multiple benefits to the customers as well as banks. It provides customers convenience and flexibility and can be provided at a lower cost than traditional branch banking. The convenience of e-banking is helping people gain greater control of their finances and contributing to changing patterns in cash withdrawal and day-to-day money management. In this context, the researcher has made an attempt to study the perception of the customers towards electronic banking services of the ICICI Bank, Karur Branch. The present study is empirical in character, based on survey method. By adopting convenience sampling, the primary data were collected from 100 customers with the help of questionnaire. The secondary data were collected mainly from journals, magazines, government reports, and books. In order to study the perception of the customers, chi square test, analysis of one-way variance and percentage analysis have been employed. Less popularity of e-channels, inadequate computerization at rural branches, irregular review of security control process, ineffective security policy, lack of government support, and lack of strict enforcement of e-banking laws are the problems of e-banking operations.

**Key words:** E-banking, online banking, mobile banking, digital payment, internet banking, cashless economy, etc.

## 1. Introduction

In the recent past, banking industry in India has undergone a major change due to disintermediation, deregulation, liberalization, globalization, financial sophistication, technological developments and densification in the product and services. Out of these, deregulation, technological innovations and globalization are significantly affecting banks and financial institutions. In the post-reforms period, Indian banking is passing through crucial sieges. There is a paradigm shift in the different parameters of transformation. Many internal and external factors are compelling the banks to make radical changes in their day-to-day functioning to face the e-age challenges. The concept of banking has drastically changed from a business dealing with money transactions alone to a business related to information on financial transactions. The new methods of banking practices on account of information technology ensure which service besides reducing cost in banking sector. Computerization in banking is taking place all over the world. The purpose of computerization is to bring technology to counter and enable employees to give information at their fingertips. After the internet penetration, the banking sector has undergone a huge revolution. Internet banking is changing the banking industry and is having major effects on

banking relationships. Banking is now no longer confined to the branches one has to approach in person, to withdraw cash or deposit a cheque or request a statement of accounts. The Government of India enacted the Information Technology Act, 2000, with effect from 17 October 2000 to provide legal recognition to electronic transactions and other means of electronic commerce. Private and foreign banks have been the early adopters of e-banking while the public sector banks are beginning to hold on to the competition. ICICI Bank and SBI have taken a lead in introducing e-banking in India. ICICI Bank is the first one to have introduced internet banking for a limited range of services such as access to account information, correspondence for the first time in 1996 and recently, funds transfer between its branches.

## 2. Concept of electronic banking

In electronic banking system, the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are the nature of service. It would be a borderless entity permitting anytime, anywhere and anyhow banking. Electronic banking has attracted the attention of banks, securities trading firms, brokerage houses, insurance companies, regulators and lawmakers in the developing nations since the late 1990s. Electronic banking offers great opportunities for banks to increase their transactions, extend their customer-bases, and to reduce their operational and opportunity costs. It provides some benefits to customers such as convenience, personalization, freedom and cost advantages. The electronic 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. Therefore, providing electronic banking is increasingly becoming a “need to have” than a “nice to have” service. As a result, the focus is going to shift from generic banking services to customized banking services. The earlier brick and mortar branch is no longer sufficient, technology is now taking banks to the homes or offices, 24 hours a day, 365 days a year through automated teller machines, telephones and personal computers.

## 3. Benefits of e-banking

E-banking offers multiple benefits to the customers as well as banks. It is a highly profitable channel for financial institutions. It provides customers convenience and flexibility and can be provided at a lower cost than traditional branch banking. The convenience of e-banking is helping people gain greater control of their finances and contributing to changing patterns in cash withdrawal and day-to-day money management. Customers can perform basic banking transactions by simply sitting at their office or at home through PC or laptop. Therefore, no personal visit to the branch is required. Financial institutions have spent a great deal of time and money for developing e-banking functionality for customers. A customer can check balance by logging into banks website through a user name and password. In this way the customer can

enquire balance, status of cheques, perform funds transfers, order drafts, request issue of cheque books, etc.

Customers can view account balances, transaction history and updates get e-statements, credit card and debit card transaction history and updates, checking the status of their credit card accounts, viewing information regarding their demat account, information on their fixed deposits. Time saving is an important reason for the customers to prefer e-banking. The fundamental advantage of the e-banking is the transfer of information about money's worth to any place at any time with a mouse click distance. The application of e-banking has been proven as an effective way to reduce the costs of operation for the financial institutions. For instance, e-banking services will allow banks to reduce expenditures on physical structures. Larger banks that maintain expensive branch networks tend to have the greatest incentive to adopt e-banking services. In comparison, smaller banks have higher start up costs and tend to have a high initial technological cost in developing e-banking services. Cost savings occur by virtue of automating customer transactions such as funds transfers, payments, account balance inquiries, etc. Thus, electronic processing dramatically reduces the cost per transaction. Another important benefit from e-banking is a more effective information collection and management. E-banking facilitates performing of basic banking transaction by customers round the clock globally. Worldwide 24 hours and 7 days a week banking services are made possible. The increased speed of response to customer requirements under e-banking will lead to greater customer satisfaction and handling a larger number of transactions at lesser time. E-banking opens new landscapes for providing efficient, economic and quality service to the customers.

#### **4. Statement of the problem**

While electronic banking does offer exciting possibilities for payment mechanisms, there are many open questions that have still not been satisfactorily addressed and it has raised many issues before the banking regulators and government agencies. Further, the current banking services provided through internet are limited due to security concerns, complexity and technological problems. In e-banking, there is a risk in the context of security concerns and risk in the context of trust in one's bank. Frequent slow response time and delay of service delivery causes customers to be unsure that the transaction has been completed. The disruption of information access to be a common factor related to unwillingness to use internet channels for commerce. The banks have to invest heavily in technology and people with appropriate technical skills; otherwise they cannot market their new financial products and services. Larger investment in e-banking may lead to emergence of 'digital divide' as a result of new technological developments based on information technology-led knowledge intensive innovations in banking sector. The average Indian consumer is still PC illiterate and prefers the human touch over technology driven service. The issue of customer unfamiliarity with the internet, which is

prominent among senior citizens, has recently caught some attention, because these customers believe that they are left at a disadvantageous position and become very reluctant in doing business online. In India, cash transactions are popular because of the anonymity they provide, as they leave no paper trail. A part of Indian economy is the black economy, where transactions are in cash and there are no audit trails. This will be a factor that will continue to hinder wider acceptance of electronic banking, because electronic payments always leave a paper trail.

India is still in the early stages of e-banking growth and development. Competition and changes in technology and lifestyle of the customers have changed the face of banking. The changes that have taken place impose on banks tough standards of competitions and compliance. The issue here is 'where does India stand in the scheme of e-banking.' E-banking is likely to bring a host of opportunities as well as unprecedented risks to the fundamental nature of banking in India. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitors to enter the financial services market quickly and efficiently. However, the electronic banking considers financial, security and privacy risks. Certainly some existing brick and mortar banks will go out of business, but that's because they fail to respond to the challenge of the internet. In this context, the researcher has made an attempt to study the perception of the customers towards electronic banking services of the ICICI Bank, Karur Branch.

## 5. Objectives of the study

The following are the objectives of the present study.

1. To find out the factors influencing the customers to prefer electronic banking services of the ICICI Bank in Karur Branch.
2. To study the satisfaction level of the customers towards electronic banking services of the ICICI Bank in Karur Branch.
3. To offer suitable suggestions to improve the effectiveness of the electronic banking services of the ICICI Bank in Karur Branch.

## 6. Testing of hypothesis

H<sub>01</sub>: There is no significant relationship among the satisfaction levels of the customers belonging to different demographic profile towards electronic banking services of the ICICI Bank, Karur Branch.

## 7. Scope of the Study

The study is confined only to savings bank and current account holders who have account with ICICI Bank in Karur Branch. The study also confined to only the factors influencing the customers to use e-banking, and satisfaction of the customers towards e-banking of the ICICI Bank in Karur Branch.

## 8. Research methodology

The present study is empirical in character, based on survey method. By adopting convenient sampling, the primary data were collected from 100 customers with the help of questionnaire. A questionnaire was constructed based on Likert scaling technique. The secondary data were collected mainly from journals, magazines, government reports, and books. In order to study the perception of the customers, chi square test, analysis of one-way variance and percentage analysis have been employed

## 9. Findings

1. Out of the 100 respondents, 93%, 7% and 0% of the respondents are aware, partially aware and not aware of electronic banking services of the ICICI Bank, Karur Branch.
2. Easy and convenient access, confidentiality, service quality and time saving are the factors influencing the respondents to prefer e-banking services at 31%, 39%, 43%, 51% respectively in ICICI Bank, Karur Branch. 62%, 66%, 69%, 72% and 77% of the respondents were influenced by factors such as transparency, accuracy, cost saving, ubiquity, and speed respectively to prefer e-banking services. Security and control over funds are the motivating factors for the customers at 81% and 83% respectively to prefer e-banking services of the ICICI Bank, Karur Branch.
3. There is a significant association between the satisfaction levels of the respondents belonging to different genders and e-banking services of the ICICI Bank. However, no significant relationship is found between the satisfaction levels of the respondents belonging to different age groups, educational status groups, occupations, and monthly income groups towards e-banking services of the ICICI Bank.
4. Male respondents, respondents in the age group 31-40 years, respondents having degree qualification, businessmen and respondents whose monthly income is in the range of above Rs.45000 are more satisfied towards e-banking services of the ICICI Bank.
5. The overall satisfaction of all the 20 statements are considered as 'satisfied' by 41 per cent of the respondents, as 'partially satisfied' by 32 per cent of the respondents, as 'dissatisfied' by



27 per cent of the respondents. The mean score reveals that the respondents have higher satisfaction (2.44) with the inter-account fund transfer, followed by recharging mobile phones and payment for bills like electricity, telephone, etc. (2.33). However, with regard to deposit and statements, the respondents have least satisfaction (1.93).

6. Ranging from 14.28 per cent to 46.42 per cent of the respondents' reasons to change their prime bank in future such as unethical practices of the bank, non-availability of IT based services, lack of trust, lack of innovative services and lack of access to branches. Ranging from 53.57 per cent to 75 per cent of the respondents will change their prime bank in future due to higher service charges, suggestions of the well-wishers; customer request is denied and poor service. More than 82 per cent of the respondents will change their prime bank due to services are not upto expectations, strict formalities to avail services and lack of personalized services.
7. Inadequate infrastructure, lack of co-operation between banks, inadequate training to staff, lack of demo-fares, and lack of knowledge of e-channels among customers are the problems of the customers ranging from 25 per cent to 50 per cent in e-banking operations. About 53%, 62%, 64%, 72%, 81% and 93% of the respondents state that less popularity of e-channels, inadequate computerization at rural branches, irregular review of security control process, ineffective security policy, lack of government support, and lack of strict enforcement of e-banking laws are the problems in e-banking operations respectively.

## 10. Suggestions

1. An adequate level of infrastructure and human capacity building are required for developing countries to adopt the global technology for their local requirements. The choice of technological infrastructure generally determines the success of e-banking in the long run. Therefore, a correct system architecture and design will help in managing operational and security risks to a greater extent.
2. To achieve competitive advantage, technology based services may help, but to retain competitive advantage, the bank has to improve services at the branch. The availability of and access to banking information is required for customers to move towards e-banking.
3. For the purpose of creating awareness about information security in the area of e-banking, training and education is necessary. Therefore, training courses for understanding the information security, protection of passwords and awareness about various spy wares can be conducted. Advanced training for the system administrators may also be conducted to optimally configure the e-banking system and update them about the latest threats being present in the e-banking domain.

4. The bank should make the area of e-delivery channels wider by providing the facility of draft making, and mega-size withdrawals & deposits to the customers. This will further strengthen the popularity of these channels and help to earn more income by way of more charges on mega-size deposits and withdrawals.
5. The bank should accord a high priority to investment in staff training and technological infrastructure. Further, security policy should include management commitment, technical supports and effective disseminations of the policy and the security awareness of all users.
6. The development of bank website should go beyond information purposes. The bank should put in place procedures for maintaining and updating their websites, including the various security features and key ingredients of e-banking which include confidentiality, integrity, availability and effective communication.

## 11. Conclusion

E-banking is spreading all over the world with speed, sometimes at the cost of throwing caution to the winds. This has not only transformed the banking and financial institutions in their modern form, but has also brought a paradigm shift in their attitude towards banking operations. In India also, it has strongly impacted the strategic business considerations for banks. In India there is a major risk of the emergence of a digital divide as the poor are excluded from the internet and so from the financial system. However, there are ways to overcome these obstacles and exploit trends in e-banking to derive the desired benefit. As regards the problem of a digital divide, there is a rich international experience from which India can learn many lessons and include the poor within the net of e-banking. It is evident from the present study that a majority of the customers are highly satisfied with the e-banking services. The customers prefer e-channels with time and cost utility which provide efficient services. Although there are some drawbacks in e-banking like complaints regarding use of ATMs, high service charges and more working hours leading to frustration among the employees but still the e-banking are preferred as the efficiency of the employees working through e-channels is better.

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