

CUSTOMER PERCEPTION TOWARDS INTERNET BANKING: IDENTIFYING THE MAJOR CONTRIBUTING FACTORS

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ABSTRACT

The way technology and the internet have developed in recent years has changed the approach taken by many organizations in order to operate and conduct their business. There are numerous factors that dictate the perception of users of internet banking and it is very essential to identify those factors and the extent of their magnitude in order to improve these services. This study is descriptive type and data is collected from the internet banking customers of various commercial banks of India through self-administered questionnaire. This study has a sample size of 202 internet banking customers which includes people from different demographics. The results highlighted that there are various factors that contribute to forming a customer's perception towards internet banking, promptness and efficiency being the most important one. Some other factors that were identified in the factor analysis were perceived ease of use, perceived service quality, perceived integrity, perceived trust, intention to continue, Technological structure and perceived usefulness. Also, the results show that most of the users use internet banking on weekly basis and it is mostly used for conducting account to account funds transfer followed by checking balance and transaction statements.

KEYWORDS: Customer Perception, Internet Banking, Banking Awareness

1. INTRODUCTION

There is no doubt that the further we go into the future, the more important the internet is becoming in almost everyone's lives. Due to this rapid growth in technology, and in order to remain competitive in relation to their rivals, banks have altered the way in which they operate and deliver services to their customers. Online banking services, or more commonly known as internet banking, have become increasingly significant. "Internet banking" refers to systems that enable bank customers to access accounts, and even pay bills online. Online banking allows its user to perform a number of banking activities, which are usually conducted through a local branch, at the comfort of one's choice by using the internet. Internet banking is a more commonly used phrase for online banking and throughout the remaining of this study these two terms have the same meaning and are thus used interchangeably.

Some of the services which are made available to customers by most of the online banking providers include: viewing account balances and transaction histories, making mobile top ups, transferring money between accounts, paying third parties and bills, as well as opening accounts and ordering cheque books. Using internet banking suggests that anyone can carry out the above mentioned transactions and more whenever he/she needs to, from anywhere that has an internet connection, irrelevant or whether it is a

computer or a mobile phone. Most of the banks that offer online banking services are traditional banks which also have a number of branches dispersed around a particular country or even overseas. However, there are also some banks which do not have a physical presence but operate only through the internet. This new way of conducting business is beneficial to both the service provider and the customer alike, and that explains why a lot of banks try to encourage this idea of using internet banking among their customers rather than visiting a physical branch to conduct some basic transactions that can be easily performed at the comfort of the user.

2. STATEMENT OF PROBLEM

With the changing environment, banks have implemented Internet Banking services. In spite of their efforts, many customers are unsatisfied with the internet banking services provided to them or are reluctant due to some reason or the other. This impedes the growth of internet banking. In this regard, it is essential to identify the major contributing factors that frame a perception of a user towards internet banking so that banks can focus on them to improve the level of satisfaction that customers derive from its use and ultimately transform it into trust and loyalty while improving their service quality.

3. REVIEW OF LITERATURE

Keeping the customer satisfied is probably the major goal of any company. This particularly applies to banks since these are service providers, and also because when these financial institutions succeed in keeping their customers happy, they will not only retain their existing clients but possibly increase their customer base through good word of mouth. In recent years, one major weapon which has helped banks in providing this customer satisfaction was online banking. Joseph et al. (1999) examined the influence of internet on the delivery of banking services. They found six primary dimensions of e-banking service quality such as management, efficiency, queue management, accessibility and customization.

Mishra (2005) in his paper explained the advantages and the security concerns about internet banking. According to him, improved customer access, offering of more services, improved customer access, offering of more services, increased customer loyalty, attracting new customers are the primary drivers of internet banking. But in a survey conducted by the online banking association, member institutions rated security as the most important concern of online banking. Shrivastava (2007) studied that education, gender, income play an important role in usage of internet banking. Not much research has been done on these areas as they were focused more on the acceptance of technology rather than on people. The research collaborated the conceptual framework stating that if skills can be upgraded there will be greater will to use internet banking by consumers.

Santhiyavalli, G. (2011) determined the customer's perception of service quality of the select branches of State Bank of India and study the major factors responsible for their satisfaction. In this research SERVQUAL Model has been used and study indicates that among five dimensions 'Reliability', 'Responsiveness', 'Empathy' and 'Tangibility' are the major factors responsible for customer satisfaction. Ms. Fozia (2013) found that different age group of customer and different occupation group of customers have different perception toward the internet banking services. Further she found that demographic factors

impact significantly internet banking behavior, specifically, occupation and age. The researcher suggests that an understanding about the customer's perception regarding the e-banking services of public and private banks will help the banker to understand the customers need in better way. Mukhtar (2015) added more to the findings of the earlier researches. Apart from the perceived usefulness and security, privacy and trust aspects, these authors reveal that awareness and demographic variables also have an influence on customers when deciding whether to use online banking or not. In the UK 'it has been concluded that these respondents might not have enough knowledge to use the internet that creates difficulty for them to use internet banking'.

4. OBJECTIVE OF THE STUDY

A Bank operates its activities not only to earn profit, but also to serve its clients in accordance with their needs and demands. Online banking is the demand of time as well as the demand of customer. The study is an attempt to identify the underlying factors that form a customer's perception towards internet banking.

5. RESEARCH DESIGN

The study was descriptive and exploratory in nature with study technique utilized for information and data accumulation. The study will enable the banks to understand the factors of internet banking which actually helps to improve the Customer perception. Thus, they can plan for their future course of action or strategies to induce more customers to use internet banking services.

5.1 Sample Design

The population for the study were the internet banking users of different Commercial banks in India. The study was conducted on the banking customers who have been using Internet banking services of different commercial banks. Therefore, the sample frame for the study was the internet banking users of different commercial banks during the data collection phase of study. Unbiased purposive sampling was used. The overall sample size for the study was restricted to a total of 250 internet banking customers out of which 202 responded.

5.2 Data Collection

A scaled questionnaire based on the extensive survey of literature was prepared after discussions with the bank service providers, experts in the area of banking services and consultants working in the area of banking services. Separate measures were developed to measure the variable (customer perception) of the study. A standardized questionnaire comprising of 29 questions was referred to and minor changes were made accordingly for data collection. The responses were collected on a Likert type scale of 1 to 5 for the variable.

5.3 Tools of Data Analysis

Percentage method was used as a tool for analyzing the data collected. Except of this, other statistical tools were also used as a medium of data analysis. Reliability of all measures was established separately. Cronbach Alpha reliability coefficient was calculated using SPSS 22 separately for all the measures.

Principal component analysis was carried out with Varimax rotation and Kaiser Normalization. The

measure was checked for sample adequacy and sphericity using KMO and Bartlett test. The factors extracted through PCA were named and described.

6. DATA ANALYSIS AND INTERPRETATION

For data analysis purpose, SPSS software has been used as it provides in-depth investigation in data analysis and visualization. The data collected from the customers was classified and systematically analyzed. The various factors influencing the internet banking services and their magnitude or importance have been analyzed in detail below.

6.1 Scale Reliability

Cronbach Alpha, methods have been applied to calculate reliability of all items in the questionnaire. Reliability test using SPSS software and the reliability test measures have been found to be 0.889 which ensures that the scales designed in questionnaire are adequately reliable.

6.2 Factors Determination using Factor Analysis

The results of Table-1 indicate that the test of KMO (Kaiser-Meyer-Olkin) for sample adequacy is okay as the test statistics is well above the minimum acceptable limit (>0.70) and also the Bartlett's Test statistics shows that it is significant at .000 level of significance which means that the data under study is not spherical and hence passes the Bartlett's test of sphericity.

Table-1: KMO and Bartlett's Test Statistics

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.839
Bartlett's Test of Sphericity	Approx. Chi-Square	1810.650
	df	435
	Sig.	0.000

The scree plot graphs the eigenvalue against the factor number. One can see these values in the first two columns of the table immediately above. From the third factor on, one can see that the line is almost flat, meaning each successive factor is accounting for smaller and smaller amounts of the total variance.

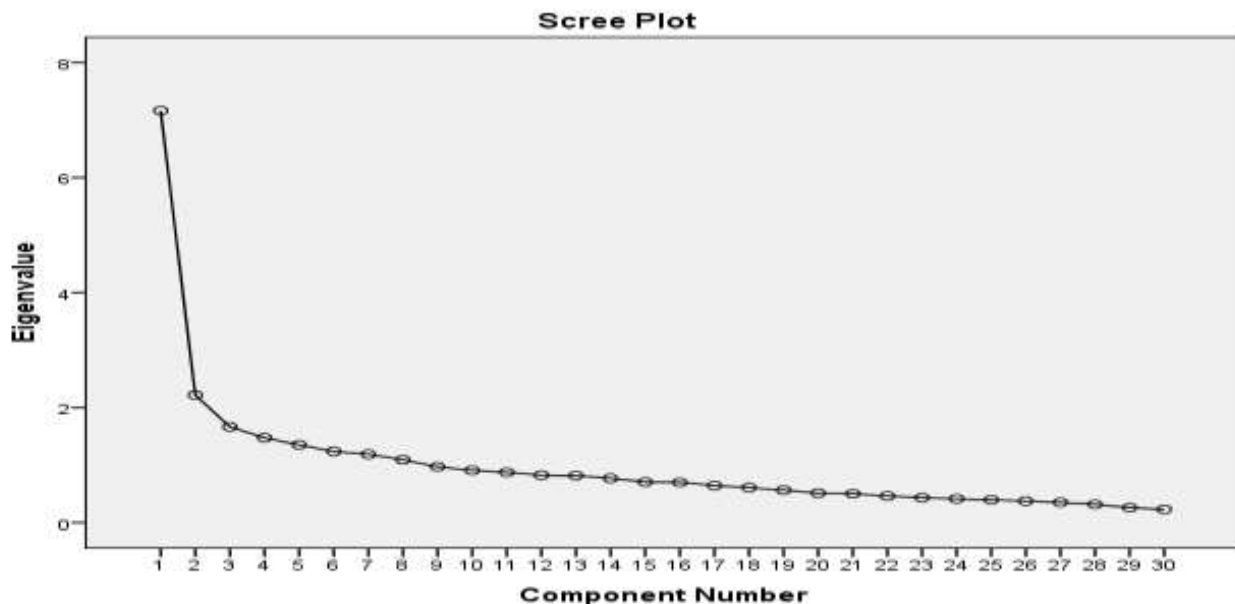


Figure-1: Scree Plot

The above Scree plot graph shows that from the third factor on, one can note that the line is almost flat, meaning each successive factor is accounting for smaller and smaller amounts of the total variance. The raw scores of 29 items were subjected to factor analysis to find out the factors that contribute towards 'customer perception'. After factor analysis eight factors were identified.

Table-2: Factor Analysis using Varimax Rotation Method of PCA

Factor No.	Factor name	Eigen Value	% of variances	Cum. Variance	Items converged	Factor loading
1.	Promptness and Efficiency	2.942	9.806	9.806	Internet Banking makes my banking transactions quick. I can conduct transactions anytime. It makes banking transactions easy. I can manage my bank account effectively.	0.822 0.835 0.682 0.646
2.	Perceived Ease of Use	2.728	9.094	18.900	Conducting Internet banking doesn't require much mental effort. Interactions with Internet banking website is clear and understandable. Internet banking is very easy to use. The user menus are clearly categorized and are well laid out on the screen.	0.760 0.689 0.535 0.526
3.	Perceived Service	2.536	8.454	27.355	My bank is competent in providing excellent internet banking services. My bank is capable to meet its Internet banking customer needs. My bank is acting at my best interest. My bank is ready and willing to provide assistance and support regarding Internet banking.	0.524 0.657 0.666 0.522
4.	Perceived Integrity	2.071	6.903	34.258	My bank is honest with its Internet banking customers. My bank is considered an expert as an internet banking service provider.	0.770 0.634

5.	Perceived Trust	2.030	6.768	41.026	My bank provides innovative Internet banking services.	0.561
					My bank is trusted as an internet banking provider.	0.720
					I rely on my Internet banking as a trusted medium of financial transactions.	0.481
					Overall, I trust Internet banking to perform my banking transactions.	0.574
6.	Intention to continue	1.897	6.325	47.350	I intend to continue using Internet banking for performing some of my banking transactions.	0.691
					I am satisfied with the Internet banking services provided to me.	0.650
					It was easy for me to be skillful at using Internet banking	0.449
7.	Technological Structure	1.640	5.467	52.818	I am assured that technological structure of internet banking websites make banking transactions safe.	0.794
					Technological and Legal structure protect me from problem when using Internet banking.	0.646
					Internet banking websites generally offer a safe environment for my banking transactions.	0.513
8.	Perceived Usefulness	1.542	5.142	57.959	Internet Banking is useful in conducting my banking transactions.	0.683
					It was easy for me to learn using Internet banking to conduct banking transactions.	0.555

7. DESCRIPTION OF FACTORS

1) Promptness and Efficiency: This factor has the greatest importance in internet banking. It refers to a service being delivered at once without any delay. Determinant of research with a total variance of 9.806 per cent. Major element of this factor includes that 'Internet Banking makes banking transactions quick, transactions can be conducted anytime, banking transactions are made easy and bank account are managed effectively.

2) Perceived Ease of Use: This factor determines the belief of customer in Internet Banking. It refers to the degree to which an individual believes that using a particular information technology system would be free of effort. Determinant of research with a total variance of 18.900. Major elements of this factor are that, conducting Internet banking doesn't require much mental effort, Interactions with Internet banking website is clear and understandable, Internet banking is very easy to use and the user menus are clearly categorized and are well laid out on the screen.

3) Perceived Service Quality: This factor shows ability of the internet banking. It refers to customer's judgment about the extent to which a Web site facilitates efficient and effective services. Determinant of research with total variances of 27.355. Major element of this factor are that bank is competent in providing excellent internet banking services, bank is capable to meet its Internet banking customers' needs, My bank is acting at my best interest, and My bank is ready and willing to provide assistance and support regarding Internet banking.

4) **Perceived Integrity:** This factor shows the Integrity of banks toward its customer. It is defined as ethical conduct in service processes. Determinant of research with a total variance of 34.258 Major elements of this factor includes that the bank is honest with its Internet banking customers the bank is considered an expert as an internet banking service provider.'

5) **Perceived Trust:** This factor shows the trust of customer towards the internet Banking. It defines the level of trust that a customer has in another entity to perform expected activities without taking advantage. Determinant of research with a total variance of 41.026 Major elements of this factor are that the bank provides innovative Internet banking services, the bank is trusted as an internet banking provider. 'Overall, the bank is trusted as an Internet banking service provider to perform the banking transactions, Internet banking is relied as a trusted medium of financial transactions.'

6) **Intention to continue:** This factor realizes the future of internet banking. It determines a customer's willingness and ability to continuing the use of internet banking in future as well. Determinant of research with a total variance of 37.350. Major elements of this factor includes people's intention to continue using Internet banking for performing some of my banking transactions, level of satisfaction derived by the Internet banking services provided and how easy it was to be skillful at using Internet banking'.

7) **Technological Structure of banking Website:** This factor show that Structure of internet banking Website. Determinant of research with total variances of 52.818 Major element of this factor include technological structure of internet banking websites make banking transactions safe, customers feel that legal and technological structures adequately protect them from problems when using Internet banking, Technological and Legal structure protect customers from problem when using Internet banking and Internet banking websites generally offer a safe environment for banking transactions.'

8) **Perceived Usefulness:** This factor is useful to the customer. "The degree to which a person believes that using a particular system would enhance his/her job performance". Determinant of research with total variances of 57.959 Major element of this factor are That Internet Banking is useful in conducting banking transactions.' And it is easy for learn using Internet banking to conduct banking transactions.'

8. CONCLUSION

Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service and banks should provide effective and efficient internet banking services in order to remain competitive and retain as well as satisfy the customers. This study has been conducted to evaluate the perceptions of customers towards internet banking services and identify the key reasons behind people using internet Banking services. It is very essential to identify the factors that a customer considers crucial while deciding to use or not to use Internet Banking services and also to know which factors further lead to customer satisfaction and perception formation. Results indicate that 'Promptness and Efficiency', 'Perceived Ease of Use', 'Perceived Service Quality', 'Perceived Integrity', 'Perceived Trust', 'Intention

to continue', 'Technological Structure of banking Website', and 'Perceived Usefulness.' are major factors which persuade people to use online banking . Therefore, the implementation of quality initiative should begin with defining customer's need and preferences and their related quality dimensions. There is still a lot needed for the banking system to make reforms and train their customers for using internet for their banking account.

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