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RESEARCH ARTICLE

**CUSTOMER PERCEPTION ON ONLINE BANKING
A CASE STUDY OF TIRUNELVELI DISTRICT IN TAMIL NADU**

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ABSTRACT

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Technology has been playing an important role in human life. Technology itself created its world in the globe of human beings. Internet banking in India is emerging trend in the banking sectors. The research is an attempt to study about consumer perception on online banking. The study is conducted among customers who are using online banking in the area of Tirunelveli district, Tamilnadu. The study shows that still customers have a fear of hacking of accounts and thus do not go for internet banking. The study also shows that among the varied e-banking services, only ATM Cum Debit Card is more popular among customers.

INTRODUCTION

The marvelous kinds of innovation in technology and hard line blend of it with information technology made a paradigm shift in the banking industry. Technology itself created its world in the globe of human beings. The precursor for the modern home online banking services were the distance banking services over electronic media from the early 1980s and the advent of Internet banking happened in early 1990. While financial institutions took steps to implement e-banking services in the mid-1990s, many consumers were hesitant to conduct monetary transactions over the web. It took widespread adoption of electronic commerce, based on

trailblazing companies such as America Online, Amazon.com and eBay, to make the idea of paying for items online widespread. ICICI bank was the pioneer bank to use Internet banking for some of its services in India. ICICI Bank and a lot of other Indian banks use the Internet banking system to provide online banking solution.

Online banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society. Online banking is

also referred as Internet banking, e-banking, virtual banking and by other terms. Internet banking is the term used for new age banking system. Internet banking uses the internet as the delivery channel by which a banking activity is conducted, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits etc.

The main aim of this study is to find out the acceptance of internet banking among customers and how it is perceived by them. This becomes important especially when education level is only 67% in India. A study of an Internet portal for understanding customers' perception about service quality, customer satisfaction and loyalty goes a long way in figuring out how these e-services are evaluated.

REVIEW OF LITERATURE

Vardhman (2007) said Online Banking - The Need of the Modern Professional- Internet Banking has been so popular in the countries it has been implemented in so far due to certain reasons. Online Banking makes the regular transactions for a client speedy and time efficient with little or no paperwork involved. There is no need for standing in long queues any more for making a deposit or getting a withdrawal. Banking has turned into a 24/7 service with the bank always available to their client.

Kesseven (2007) said that the mostly used E-Banking services are inter account transfer, payment to other personal account, transfer to credit card account, recharge mobile phones among others. Comparing demographic variables of the internet banking users to the non- internet banking users, the analysis reveals that there is no significant difference between the two group of users with respect to age group and the education level of the respondents.

Kamiya (2006) investigated how e- banking can ease your life Internet banking provides us facilities like Bill payment service, fund transfer, credit card customers, railway passing, Investing through internet banking, recharging your prepaid phone, shopping at your fingertips. Indian banks are trying to make your life easier. Not just bill payment, you

can make investments, shop or buy tickets and plan a holiday at your fingertips.

RATIONALE OF THE STUDY

Technology adoption by the banks has enabled the use of different technology tools in banking, which enable bank to reduce transaction cost, saving money and also save more time. It has changed the traditional way of banking transactions. But Internet banking is still at an infant stage in India. Many studies focused on usage of internet banking but many factors on non-usage were overlooked. The study is to be focused on customers' perceptions about internet banking, the factors that drive consumers, how consumers have accepted internet banking and the ways to improve the usage rate. The purpose of this study is also to determine the factors influencing acceptance level of internet banking by the bank customers. The factors such as education, gender and income play an important role in usage of internet banking.

STATEMENT OF PROBLEMS

Internet banking or banking via the Internet can be considered a remarkable development in the banking sector. The benefits or advantages of Internet banking are, however, limited to a particular group of people. Due to rapid change in technology and the entry of private and foreign banks a number of new products and delivery channels have been introduced. Among the major initiatives Internet Banking has brought to the customers the much demanded convenience. Despite facilities, there are various psychological and behavioral issues such as reluctance to change, trust in one's bank; security concerns, preference of human interference and the like impede the growth of internet banking. Inhibitory factors like gender, education, culture, religion, and price can have minimal effect on consumer mindset towards internet banking.

OBJECTIVE OF THE STUDY

1. To find out the awareness and acceptance of internet banking among customers
2. To know the consumer satisfaction level on online banking

3. To study the problem faced by customers in using internet banking
4. To analyse the factors influencing the customers using internet banking
5. To suggest improvement in quality services of internet banking
6. To analyse which age group of customers mostly using internet banking

SCOPE OF THE STUDY

The study encompasses banking services quality of all types of banks in Tirunelveli District only. The study covers respondent who are the customers of different banks of the region. These customers belong to various professions, places, of both genders, with varied income groups and varied age groups. Since the study constrain to tirunelveli district, the future study can be carried out by combining two or districts or comparing online banking services between banks.

HYPOTHESIS OF THE STUDY

In order to analysis the above said objectives; the following hypothesis are tested.

1. Internet banking is a fast evolving mode of product delivery, in which the service provider (Bank) and the service user (Customers) are not present at the same place and at the same time.
2. The usage of internet banking is increasing day by day.
3. Internet banking is mostly preferred by the customers than debit card and credit card services for online payments.

LIMITATION OF THE STUDY

1. The proposed study is limited only within the jurisdiction of Tirunelveli district of Tamil nadu.
2. The randomly selected account holders of both the public and private banks are the units surveyed.
3. The proposed project is a micro level study.
4. During the survey some of the informants were reluctant in answering the questionnaire.

RESEARCH METHODOLOGY

In a view to proceed the study in a systematic way, the following research methodology are used. By means of obtaining detailed opinion of the customers, this research falls under the category of descriptive research. Both primary and secondary data collection are employed in the study. Primary data are collected from the well-structured questionnaire. A pilot study is conducted to validate the reliability of the questionnaire. The secondary data are collected from the published documents, relevant books, journals and relevant websites.

SAMPLE SIZE AND SAMPLING TECHNIQUE

The study intended to conduct this research in the domestic market, which is Tamil Nadu and specifically in Tirunelveli district and hence data is needed regarding the consumers from this region specifically. Therefore, first hand research is carried out by exploring the consumer characteristics in this region specifically on a sample of around 150 people who have bank accounts in public and private banks. Convenience sampling technique is used. The data so collected are arranged in a tabular form. Keeping in view the objectives of the study, statistical techniques like percentages, chi-square test, Anova test and Z test are used for data analysis.

ANALYSIS AND DISCUSSION

The main objective of the study is to analyse and interpret the opinion of respondents using online banking services offered by different banks. For this purpose, 150 customers' opinions are collected through well structured questionnaire. The respondents' opinions are tabulated based on demographic variables. Further the respondents classified based on income and qualification categories are compared with awareness, importance, problems areas of internet banking services by using percentage, chi square, Z test and anova to support statistical findings. The interpretations are presented in this chapter.

Table 1. The Table Shows Distribution of Respondents on the Basis of Demographic Factors

Demographic Variables	Categories	No. of Respondents (In %)
Gender	Male	85 (56.67)
	Female	65 (43.33)
Age	Below 30 years	65 (43.33)
	31 to 40 years	60 (40)
	41 to 45 years	18 (12)
	45 and above years	07 (4.67)
Qualification	12 th Std.	9 (6)
	Degree	129 (86)
	Diploma	12 (8)
Occupation	Govt. Employees	17 (11.33)
	Private Employees	72 (48)
	Students	58 (38.67)
	Business Man	03 (2)
Annual Income	Less than ` 2 00 000	49 (32.67)
	` 2 00 001 to ` 5 00 000	78 (52)
	` 5 00 001 to ` 10 00 000	17 (11.33)
	Above ` 10 00 000	06 (4)

Table 2. Factors influencing to use E-Banking Services

Factors	No. of Respondents	Percentage
Friends	39	26.00%
Relatives	42	28.00%
Neighbours	08	05.33%
Family Members	21	14.00%
Social Groups	09	06.00%
Advertisement	31	20.00%
Total	150	100.00%

(Source: primary data)

From the table it is found that 28% of respondents have been influenced by relatives to use e-banking services offered by banks followed by

friends 26% and advertisement 20%, family members 14%, neighbours (5.33%) and social groups (6%).

Table 3. The following table indicates as comparison of qualification category of respondents with different mode of usage of online banking services by using chi square test.

Qualification	Mode of usage of online banking services				Total
	Daily	Weekly	Monthly	Quarterly	
12 th Std. & Diploma	08	07	04	02	21
Degree	18	42	37	32	129
Total	26	49	41	34	150

(Source: primary data)

H0: There is no significant different between qualification and mode of usage of online banking facilities.

Calculated Chi Square value =8.55

Degree of freedom = 3

Probability value = 0.036

Table value = 7.82 at 5% level of significant

As the calculated chi square value (8.55) is greater than the table value (7.82) at 5% level of significant for 3 degree of freedom, the null

hypothesis is rejected. This indicates the different educated people use online banking services differently.

Table 4. Purpose of using online facilities regularly

S.No.	Purpose of using	Preference by Respondents	Rank
1	Ticket booking	80	I
2	Shopping	72	II
3	Transfer of funds between accounts	60	III
4	Pay bills	58	IV
5	Make an account enquiry	45	V
6	Check balances online	42	VI
7	Download applications	32	VII
8	Payment of interest and loan	20	VIII
9	Calculate loan payment information	14	IX

(Source: primary data)

Online banking users have been asked about multiple purpose of using online banking facilities and their preferences are ranked in the above table. Ticket booking is ranked first (80) followed by shopping (72) as ranked second. Transfer of funds

between accounts (60) and pay bills (58) as ranked third and fourth by respondents. Payment of interest and loan (20) and calculation of loan payment information (14) have been ranked eight and nine respectively by the respondents.

Table 5. Type of Online Banking Services mostly used for purchase transactions

Type of Online Banking Service	No. of Respondents	Percentage
Debit Cards	82	54.67%
Credit Cards	26	17.33%
Net Banking	25	16.67%
Mobile Banking	17	11.33%
Total	150	100.00%

(Source: primary data)

It is found from the above table that majority (54.67%) of respondents have been using debit cards for their purchase transactions and only 11.33% of respondents used mobile banking facilities for purchase transactions. The overall observation from

the table show that most of the respondent use debit cards in compare to other online banking services because debit cards can be used for both online purchase and off line purchase.

Table 6. The following table indicates Reason for using online banking services between two income groups of respondents as calculated by Z test.

Z-Test: Two Sample for Means	Variable 1	Variable 2
Mean	32.59	33.67
Known Variance	59.78	80.03
Observations	78	72
Hypothesized Mean Difference	0	
Z	-0.78586	
P(Z<=z) two-tail	0.431951	
Z Critical two-tail	1.959964	

As the calculated Z value (-0.79) is less than the table value of (1.96), the null hypothesis is accepted. It means that there is no significant difference

between income group of respondents with respect to reason for using online banking services.

Table 7. The following table indicates the satisfaction level of using Online Banking Services offered among qualification group of respondents as calculated by Anova

S. N	Factors of Satisfaction	Mean Value			F.Value	P.Value	Sig. Level 5%	Result
		12 th Std.	Degree	Diploma				
1	Better rates and lower service charge	1.78	1.77	1.83	0.087	0.916	0.05	Not Significant
2	Security of transaction	1.78	1.85	2.17	1.892	0.154	0.05	Not Significant
3	Convenience	1.55	1.53	1.83	1.498	0.227	0.05	Not Significant
4	Quick service	1.67	1.70	1.67	0.026	0.975	0.05	Not Significant
5	Variety of features and services offered	1.55	1.63	1.67	0.084	0.920	0.05	Not Significant
6	Easy to maintain banking transaction	1.67	1.72	1.92	0.644	0.527	0.05	Not Significant

(Source: primary data)

The Anova table reveals that there is no significant difference among qualification category of respondents with respect to the satisfaction level on better rate and lower service charges, security of transaction, convenience of internet banking, quick

service, variety of features and services offered and easy to maintain banking transaction. As the P (Probability) Values are greater than 5% (0.05) level of significance value, the null hypothesis is accepted.

Table 8. The following table indicates the Problems of Online Banking Services between income groups of respondents as calculated by Anova.

S. N	Problems	Mean Value		F.Value	P.Value	Sig. Level 5%	Result
		Income less than ` 2 00 000	Income more than ` 2 00 000				
1	Slow process	1.86	1.57	7.14	0.008	0.05	Significant
2	Fund transfer failure	1.74	1.70	0.257	0.613	0.05	Not Significant
3	Technical & connectivity problems	1.86	1.89	0.062	0.804	0.05	Not Significant
4	Time limit for transferring fund	1.72	1.67	0.261	0.610	0.05	Not Significant
5	Withdrawal problem while using ATM	1.77	1.80	0.041	0.839	0.05	Not Significant
6	ATM out of order	2.10	1.93	2.348	0.128	0.05	Not Significant

(Source: primary data)

The above table shows that there is significant difference between income category of respondents with respect to the problem of slow process. It also shows that there is no significant difference among

income group of respondents with problem of fund transfer failure, technical & connectivity, time limit for transferring fund, withdrawal while using ATM and problem of ATM out of order.

Table 9. Motivational factors to use more online banking services

S.No	Motivational factors	Preference by Users	Rank
1	Quick transaction	104	I
2	Convenient	75	II
3	High security	44	III
4	Free transactions	41	IV
5	Simpler/clearer service	37	V
6	Rewards (discounted fees for certain services)	24	VI

(Source: primary data)

Online banking users have been asked to give opinion about the factors which encourage them to use more the online banking services. It is seen from the table that most of the respondents are encouraged to use online banking services for quick transaction

followed by convenient, high security, free transactions, simpler/clearer service and rewards. It is also clear from the table that customers feel that online banking services are very convenient to use and banking transactions can be done quickly.

FINDINGS

Most of the respondents (43.33%) using internet banking come under the age group of 30 years. only 4.67% of respondents belong to the category of 45 and above years.

In comparison with usage of online banking between male and female, male respondents use internet banking more than female respondents. There is huge variation of using online banking services by educated people. 86% of respondents are

degree holders who use often internet banking in compare to other diploma and 12th std. qualifications.

52% of respondents belong to an annual income group between ` 2 00 000 to ` 5 00 000 have frequent usage of online banking services offered by banks. Only 4% of respondents who use online banking facilities have annual income above ` 10 00 000.

People living in urban areas utilize more online banking services than semi urban areas and rural areas.

Relatives (28%) and friends (26%) played a big role in influencing people to use internet banking facilities. Social factors have very less role in motivating people to use online banking services.

(58.66%) respondents opined that they have selected online banking services to save their time,

32.67% of the respondents use online banking facilities weekly for different purposes, 27.33% of respondents use these services monthly, 22.67% of respondents use quarterly. Only 17.33% of respondents use online banking services for their daily purpose.

The use of online banking services for purchase of products is increasing.

The Anova table shows that most of the respondents with different qualification categories are having same satisfaction level with regard to different services provided by the banks

Different income category of respondents have same problems of fund transfer failure, technical & connectivity problems, time limit for transferring fund, withdrawal problem while using ATM and problem of ATM out of order. However, the respondents differ with respect to problem of slow process while using online banking services.

All the income groups of respondents have the same opinion on the reason of choosing and using online banking facilities. Z test supports the finding. Different qualification category of respondents are having different mode of usage of online banking facilities. Chi square test supports the finding.

Respondents are encouraged to use online banking services and have the same feeling on the facilities provided by banks.

56% of respondents said online banking is important to their banking transactions and other purposes, 38% of respondents feel that it is very important, 5.33% of respondents feel that it is somewhat important and 0.67% of respondents feel that it is not important. 90.67% of respondents are happy and satisfied with online banking services provided by their banks. Most of the respondents prefer to use online banking services than conventional banking.

SUGGESTIONS

One of the main objectives of the study is to suggest improvement in quality of online banking services provided by the banks. Hence the following suggestions are made.

As Awareness level about internet banking is very less among customers and age groups and only 4.67% of respondents belong to the category of 45 and above years use online banking services sparingly, the banks can conduct customer awareness programme regularly and educate the customers about internet banking services to all sections of people.

Banks may simplify complexity of using online banking so that all sections of people can effectively use online banking facilities provided by banks.

By improving the quality of services offered to the customers, banks may enlarge the no. of customers using online banking services.

As most of the respondents use debit cards for purchase of products and other purposes than other online banking services, banks may encourage the customers to use other online banking facilities such as credit cards, net banking and mobile banking offered to them. Banks may give relaxation in the eligibility criteria for obtaining credit cards.

It is noted from the research that majority of respondents using online banking services belong to urban areas than semi urban and rural areas. Both

public and private banks can extend their banking services to rural areas and make awareness program to rural people about the online banking services available in the banks.

CONCLUSION

Though technologies have been emerged and implemented in the banking sectors for the banking activities, there is still a lot needed for the banking system to make reforms and train their customers for using internet for their banking account. Going through the survey the main problem lies that still customers have a fear of hacking of accounts and thus do not go for internet banking.

The study shows that among the varied e-banking services, only ATM Cum Debit Card is more popular among customers. To popularize all the e-banking services, it was felt that more training programs may be conducted for bank customers through demo fair at the centers. When investigating all the variables and the response by consumers, this study reveals that the perception of the consumers can be changed by awareness program, friendly usage, less charges, proper security, and the best response to the services offered.

To conclude that the success of Internet banking not only depends on the technology but also on, to the large extent of attitude, commitment and involvement of banks catering to different section of customers and how far the customers reap the benefits from Internet banking services.

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