



A STUDY ON LEVEL OF SATISFACTION OF CUSTOMERS TOWARDS INTERNET BANKING SERVICES (A COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR BANKS)

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Abstract

In a highly competitive global market, it is imperative for the banks to harness the best customer oriented practices and to internalise them to provide an added value to the customers. The nature of banking services have undergone phenomenal change over from branch banking to convenience banking channels. Internet banking is one of such evolving e- banking channel which attracts substantial volume of customers towards banking industry. In order to meet the customers' expectation and needs, it is essential for the banks to understand their views and expectations about the banking services. This paper analyses the expectation and perception of the customers towards internet banking services of the commercial banks in Coimbatore district. The study also analysis the service quality gap perceived by the internet banking customer. The level of satisfaction of the customers were analysed in terms of gender wise as well as bank group wise. The four group of banks taken for analysis are Public sector bank, Old private Sector bank, Private sector bank and foreign banks in Coimbatore district. Two Way discriminant analysis has been used to study the significant difference between male and female customers. The primary data were collected from the customers through structured questionnaire.

Key Words: *Internet banking, Service Quality Gap, Level of satisfaction, Problems in Internet Banking.*

Introduction

In today's changed socio economic scenario, the customers, individuals or corporates, no longer want to be restrained by the physical place where their funds and information are stored. The customers of today wish the banking facility to come to their home or business premises. Moreover the customers of today are demanding fast, accurate and reliable services. Thus the absorption of technology becomes inevitable for the banks to enable them to respond to customers' needs at all time and at competitive prices. From booksellers to mass merchandisers, firms are increasingly utilizing electronic distribution methods to augment or possibly replace "traditional" products and service delivery processes. Financial service industry is no exception to this, especially the retail banking sector (Frances X. Frei, (2002)).

With the popularity of personal computers and easy access to internet and world wide web (WWW), banks increasingly use internet as a channel for receiving instructions and delivering their products and services to their customers. This form of banking is generally referred as internet banking, although the range of products and services offered by different banks vary widely both in their content and sophistication. The number of internet users in india as of January 2016 stands at 375 million users, ranked second among the Asia Pacific countries.

The percentage of payment transaction conducted through internet in India are 3% in 2013, 6% in 2014 and 8% in 2015, stands next to payment through cheque, cash and ATM. This gradual increase in customers penetration in internet banking explores the potential opportunity for the bankers to widen their customer base through internet banking channel. The growing number of internet users and increase in online financial activities provide an opportunity for the banking industry to get a better understanding of this dynamic channel and introduce it as an additional and mandatory touch point to serve their customer (IAMA report '2006'). The commercial banks are competing with each other and strive to satisfy the customers expectations. But still there exists a wide gap between the customers desired level of service and perceived level of banking services. Thus the present study has been undertaken to analyse the customers' perception and measure the satisfactory level towards internet banking services.

Review of Literature

Joshna and Moli.P.koshi (2005) in an article titled "Expectations and Perception of Service Quality in Old and New Generation Banks – A Study of Selected Banks in the South Karnataka Region" examined the service quality aspects of some leading banks in coastal Karnataka district of Dakshina konnedu and Udupi and found that ICICI Bank had showed superior performance over the other selected banks. The study reveals that the service quality dimensions of new generation banks are better than the old generation banks in south Karnataka region.

Sam Christudas (2005) in the thesis titled "Customers Opinion on Financial Services of New Generation Private Sector Banks in Erode District of Tamilnadu" dealt with customers awareness and behaviour on various services offered in new



generation private sector banks, also verified various factors which influence the customers for utilizing the modern banking services. The researcher measured the satisfactory level of customers by analyzing the variables namely speed of service, correctness, accessibility, attitude, behaviour of the employees and rate of interest. The study found that the Axis bank was the market leader among the selected new generation private sector banks in Erode district.

Nalini prava Tripathy(2006) in an article titled “ A Service Quality Model for Customer in Public Sector Banks” explained the preferences and priorities towards types of service provided by the public sector banks, also identified the key features and attributes that are essential for customer satisfaction. The results of the study indicate that the satisfactory level of customers regarding situational factor is ranked high and technology factor is ranked low in the list.

Wal – chang poon and Bool chen Tan (2008) in an article titled “Spread Of E – Banking In Malaysia: A Customer Perspective” analyzed the factors affecting growth of e – banking in Malaysia from the customers perspective. The researcher listed seven major factors which significantly influence the adoption of e – banking in Malaysia namely, Internet accessibility, awareness, cost, trust in bank, security concerns, reluctances of customer, ease of use, and convenience. The study revealed that e – banking is highly beneficial to its users because of its fast, effortless, reliable and cost effective services. The result of the study indicated that though e – banking is one of the fastest rising services and a powerful tool for improving customer satisfaction, customers are very much concerned about the trust and security issues. The author suggested that the banks need to satisfy an enormous range of customers and constantly update their services to enhance their market share.

Pooja Malhotra and Balwinder Singh (2009) in an article titled “The Impact of Internet Banking on Bank Performance and Risk: the Indian Experience” discussed the current state of internet banking in India and analyse its implications for the Indian banking industry. The study seeks to examine the impact of internet banking on banks’ performance and explored whether there is a financial gap between the internet and non-internet banks in India. The findings of that study indicate that internet banks are larger, more profitable and are more operationally efficient than non-internet banks.

Uppal and Rosy Chawla (2009) in an Article titled “ E-Delivery Channel Based Banking Service– An Empirical Study” highlighted customers perception regarding E-banking services. The researcher analyzed various dimensions of e-banking services namely quality of e-banking services, bank frauds, future of E-banking, preference of bank customers regarding choice of a bank and problems in using e-banking services. The study found that even though customers are interested in availing e-banking services, they face problems like inadequate knowledge, poor network, lack of infra-structure, unsuitable location, misuse of ATM Cards and difficulty in opening an account.

Nikhil Chandra shil and Bhagaban das (2009) in an article titled “Analysis of Gap in Service Quality through SERVQUAL : A Case of Deposit Service Provided By a Bank in Bangladesh” analyzed the gaps between expectations and perceptions about deposit services provided by a Multinational banks in Bangladesh. The researcher listed five dimensions of service quality namely Tangibility, Reliability, Responsiveness, Assurance and Empathy. The study showed that the depositors are dissatisfied with the assurance part of the service quality delivered by the bank. The researcher emphasized that the bank should give sufficient attention to improve the service dimensions namely behavior of employees, safety of transaction, knowledge of the employees which would lead to attain greater customer satisfaction

Objectives of the Study

- To assess the expectations and perception of the customers on Internet Banking Services of the commercial banks.
- To make comparative study of service quality gap perceived by the customers of private and public sector banks

Methodology

The population of the present study is finite and it comprises the Internet banking customers of Public sector banks, Old private sector banks and New private sector banks in Coimbatore district. Convenience sampling method is applied to select the sample size of 518 customers who avail internet banking service. Primary data were collected with the help of structured questionnaire having multiple item measurement scales with five points. The customers’ expectation and perception towards internet banking have been analyzed with help of mean score and one way analysis of variance. The difference between the mean scores of expectation and perception were considered as service quality gap perceived by the customers. The customers who have perceived low level of service quality gap are considered as having higher level of satisfaction towards internet banking service and vice versa. The association between demographical profile of the customers and problems in using internet banking were examined with chi- Square test.

Analysis and Findings

Customers' Expectation and Perception on Internet Banking Service Quality – Bank Group Wise

The concept of banking has drastically changed in this era where technology is the most dominating factor which facilitates the banks to offer innovative products and services to win the competitive market. Among the series of technological innovations, the internet banking is a recent phenomenon that has generated a lot of interest among the customers of Indian banking industry. The private sector banks took the lead in introducing the internet banking services in India in late 90s. At present public sector banks have also adopted internet banking system to meet the ever-changing demands of the customers. Even though all the bank groups are offering internet banking services, there is a general inference that the private sector banks are better than the public sector banks. Therefore, an attempt is made in this study to examine whether there is any significant difference in the service quality of internet banking among the four groups of banks from customers point of view. The customer's expectation and perception on the internet banking service quality among the four groups of banks have been analysed with the help of one way analysis of variance. As mentioned earlier the banks are classified as Public Sector Banks (PSBs), Old Private Sector Banks (OPrSBs), New Private Sector Banks (NPrSBs) and Foreign Banks (FBs) for the purpose of analysis. The results are illustrated in the Table 1, 2 and 3

Table 1, Customer's Expectation on IBSQFs – Bank Group Wise

| S.No | IBSQFs | Mean scores among customers in | | | | F-Statistics |
|------|----------------|--------------------------------|--------|--------|--------|--------------|
| | | PSBs | OPrSBs | NPrSBs | FBs | |
| 1 | Updation | 3.5281 | 3.7173 | 3.6027 | 3.9902 | 2.8183* |
| 2 | Access | 3.4858 | 3.6039 | 3.9244 | 3.8183 | 2.0451 |
| 3 | Information | 3.7164 | 3.9842 | 3.5866 | 4.1039 | 2.4673 |
| 4 | Responsiveness | 3.6643 | 3.8182 | 3.9937 | 3.9841 | 2.6639* |
| 5 | Simple | 3.5219 | 3.8033 | 3.7086 | 4.2603 | 2.9196* |
| 6 | Speed | 3.4285 | 3.9094 | 3.8033 | 4.0918 | 2.7731* |

Source : Primary Data

*Significant at five per cent level

The Table 1 clearly indicates that the highly expected IBSQFs among the customers of public sector banks are information and responsiveness as their respective mean scores are 3.7164 and 3.6643, whereas among the customers of OPrSBs, these are information and speed with the respective mean scores of 3.9842 and 3.9094. The customers of NPrSBs have higher expectations on responsiveness and access dimensions of internet banking service quality as its mean scores are 3.9937 and 3.9244 respectively. On the other hand, in case of foreign banks, simple and responsiveness aspects of IBSQ are highly expected by the customers. Regarding the expectation on IBSQFs among the customers of four groups of banks, the analysis found significant differences among them in case of updation, responsiveness, simple and speed since their respective 'F' statistics are significant at five per cent level.

Table 2, Customer's Perception on IBSQFs – Bank Group Wise

| S.No | IBSQFs | Mean scores among customers in | | | | F-Statistics |
|------|----------------|--------------------------------|--------|--------|--------|--------------|
| | | PSBs | OPrSBs | NPrSBs | FBs | |
| 1 | Updation | 3.0119 | 3.3089 | 2.9497 | 3.2145 | 1.4568 |
| 2 | Access | 3.3699 | 3.0967 | 3.2546 | 3.1892 | 1.3302 |
| 3 | Information | 3.5942 | 3.7185 | 3.1409 | 3.5886 | 0.9691 |
| 4 | Responsiveness | 2.5662 | 3.0717 | 3.3442 | 3.7142 | 3.8149* |
| 5 | Simple | 2.3715 | 3.6504 | 3.1996 | 3.8043 | 4.0245* |
| 6 | Speed | 2.7639 | 3.2451 | 3.4032 | 3.6627 | 2.9965* |

Source : Primary Data

*Significant at five per cent level

It is observed from the Table 2 that the perception of the customers in case of PSBs are higher in information and access dimensions of internet banking service quality as their respective mean scores are 3.5942 and 3.5662. On the other hand, in case of OPrSBs the customers perceive more on the information and simple dimensions of IBSQ with the respective mean scores of 3.7185 and 3.6504. The highly perceived IBSQFs among the customers of NPrSBs are speed and responsiveness as their respective mean scores are 3.4032 and 3.3442, whereas in case of foreign banks, these are simple and responsiveness with the respective mean scores of 3.8043 and 3.7142. Regarding the level of perception on IBSQFs, the study found

significant difference among the customers of four groups of banks in responsiveness, simple and speed dimensions as their respective 'F' statistics are significant at five per cent level.

Table 3,Internet Banking Service Quality Gap –Bank Group Wise

| S.No | IBSQG | Mean scores among customers in | | | | F-Statistics |
|------|----------------|--------------------------------|---------|---------|---------|--------------|
| | | PSBs | OPrSBs | NPrSBs | FBs | |
| 1 | Updation | -0.5162 | -0.4084 | -0.6530 | -0.7757 | 1.3963 |
| 2 | Access | -0.1159 | -0.5072 | -0.6698 | -0.6291 | 2.8377* |
| 3 | Information | -0.1222 | -0.2657 | -0.4457 | -0.5153 | 2.6617* |
| 4 | Responsiveness | -1.0981 | -0.7465 | -0.6495 | -0.2699 | 5.0818* |
| 5 | Simple | -1.1504 | -0.1529 | -0.5090 | -0.4560 | 4.9987* |
| 6 | Speed | -0.6646 | -0.6643 | -0.4001 | -0.4291 | 2.4095 |
| | Total | -3.1512 | -2.745 | -3.3271 | -3.0751 | |

Source : Primary Data

*Significant at five per cent level

It is known from the Table 3 that the internet banking service quality gap perceived by the customers of public sector banks are higher in case of simple and responsiveness as their respective mean scores are -1.1504 and -1.0981, whereas in case of OPrSBs, these are responsiveness and speed with the respective mean scores of -0.7465 and -0.6643. The customers of NPrSBs perceive higher IBSQ gap on access and updation aspects since their respective mean scores are -0.6698 and -0.6530. On the other hand, with regard to the foreign banks, the higher IBSQ gap is perceived by the customers on updation and access dimensions. The customers of old private sector banks perceive less service quality gap when compared to other groups of banks. Hence the customers' level of satisfaction of old private sector banks is higher when compared to new private sector banks and public sector banks. Regarding the internet banking service quality perceived by the customers of four groups of banks, the study found significant difference among them in four out of six factors taken for analysis as their respective 'F' statistics are significant at five per cent level.

Problems Encountered in Using Internet Banking Services

Table 4,Problems Encountered in Using Internet Banking Services

| S.No | Problems | Number of Customers | | Total |
|------|-------------------------------|---------------------|--------|-------|
| | | Male | Female | |
| 1 | No problem | 194 | 27 | 221 |
| 2 | Victim of Fraudulent cheating | 82 | 24 | 106 |
| 3 | Wrong transfer of fund | 65 | 34 | 99 |
| 4 | Delay in transaction | 48 | 19 | 67 |
| 5 | Others | 13 | 12 | 25 |
| | Total | 402 | 116 | 518 |

Source: Primary Data

It is observed from the Table 4 that majority (42.66%) of the customers have expressed that they did not encountered any problems while using the internet banking services. It is followed by 20.46 per cent of the customers have been affected by fraudulent cheating. 48.26 per cent of male customers have not encountered any problem in using internet banking facility, whereas 29.31 per cent of the female customers are affected by wrong transfer of fund. Thus, it can be learnt that most of the customers did not come across any problem in using internet banking facility.

Association between Profile variables of Customer and their Perception on Problems in Using Internet Banking Services

The present study has made an attempt to analyse whether there is any relationship exist among the profile variables of the customers and their perception on problems in using internet banking services. In order to verify the significant relationship between the above said aspects chi-square analysis has been administered. The results of chi-square analysis is presented in Table 5

Table 5, Association between Profile Variables of the Customer and Perception on Problems in Using Internet Banking

| S.No | Profile Variables | Chi – Square Value | Table Value at 5% level | Result |
|------|-------------------------------|--------------------|-------------------------|---------------|
| 1 | Age | 32.5084 | 30.144 | Significant |
| 2 | Marital Status | 11.4093 | 9.488 | Significant |
| 3 | Educational Qualification | 29.4465 | 26.296 | Significant |
| 4 | Occupational Status | 28.0466 | 46.194 | Insignificant |
| 5 | Monthly Income | 26.5173 | 31.410 | Insignificant |
| 6 | Family Size | 17.6516 | 21.026 | Insignificant |
| 7 | Nativity | 18.6534 | 15.507 | Significant |
| 8 | Type of Bank | 28.0544 | 26.296 | Significant |
| 9 | Frequency of Transaction | 37.6529 | 31.410 | Significant |
| 10 | Frequency of visit | 29.6512 | 31.410 | Insignificant |
| 11 | Frequency of Using e-channels | 42.4081 | 31.410 | Significant |

Source : Primary Data

Significant at five per cent level

It is found from the Table 5 that the variables such as age, marital status, educational qualification, nativity, type of bank, frequency of transaction, frequency of using e- channels are significantly associated with the perception of the customers as their chi- square values are significant at five per cent level.

Conclusion

The findings of the study reveal that the internet banking customers have higher expectation on the factors “Responsiveness’ and ‘Information’. Among the four groups of bank taken for the study, the customers’ level of satisfaction on internet banking service is higher in old private sector banks. The study also reveals that 48.26 per cent of male customers have not encountered any problem in using internet banking facility, whereas 29.31 per cent of the female customers are affected by wrong transfer of fund. Since the success of banking business in coming years lies on the aspect of convenience banking, the banks should focus on the key areas – People , Process and Technology.

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