

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/358275563>

# CUSTOMERS' PERCEPTION ON DIGITAL BANKING SERVICES WITH SPECIAL REFERENCE TO INTERNET BANKING

Article · February 2022

---

CITATIONS

0

READS

3,467

1 author:



**N. Manju Shanthi**

Dr. umayal ramanathan college for women

2 PUBLICATIONS 2 CITATIONS

SEE PROFILE

**CUSTOMERS' PERCEPTION ON DIGITAL BANKING SERVICES WITH SPECIAL  
REFERENCE TO INTERNET BANKING**

**Ms.N.Manju**

Assistant Professor, Department of Commerce, Dr.Umayal Ramanathan College for Women, Karaikudi,  
manju97mailbox@gmail.com

**Mrs.N.Vinodha**

Assistant Professor, Department of Commerce, Dr.Umayal Ramanathan College for Women, Karaikudi,  
poppins.vino@gmail.com

**Ms.C.Surya**

Assistant Professor, Department of Commerce, Dr.Umayal Ramanathan College for Women,  
Karaikudi, csurya012@gmail.com

**Abstract**

Digital inventions and government initiatives such as faceless, paperless and cashless transactions have been driving banks to consider digitalization as part of their strategy. To facilitate faceless, paperless and cashless transactions different E-banking products were introduced by commercial banks viz., electronic payment system, ATMs, mobile banking, internet banking, digital wallet and prepaid cards. Internet banking is one of the latest additions to E-banking products. Hence, an attempt is made by the researcher to study the customers' perception on internet banking services offered by commercial banks at Sivaganga District. The major objective of this study is to identify the relationship between demographic variables of sample respondents and frequency of usage on internet banking services. To accomplish this, primary data were collected from 150 internet banking customers of selected commercial banks at Sivaganga District. Finally it could be understood from the result of one way –ANOVA that the frequency of usage of various internet banking services is independent of their family income level, which means that the difference in income level does not create any significant difference on frequency of usage of various internet banking services.

**Keywords:** Internet Banking, Frequency of Usage on Internet Banking Services, Customers' Preference

**Introduction**

Technological development viz., increased internet penetration, affordable internet data packs has made access to internet both cheaper and faster. Today, variety of activities can be performed through online depending on the user's goal from access to information, entertainment and shopping to financial transactions that formerly required a visit to the bank. Consumers have the choice to do internet banking from home or at their offices at any time during the day or night. The annoyance of standing in long queues at bank branches has been removed. Internet banking is the most convenient mode of banking for bank consumers. It also reduces the time taken to perform banking transactions. Further, the levels of services offered through internet banking vary from one bank to other bank, starting from level-1 where only information is disseminated through internet to level-3 where transactions are put through.

The efficiency, productivity and accessibility of the banking sector have increased a lot due to digitalization. Also with the initiatives of the Government such as the DIGITAL INDIA, BHARATNET the reach of the banking services has been taken to the nook and corner of the country. The Digital India

Programme is a major programme of the Government of India with a vision to transform India into a digital empowered society and knowledge economy. “Faceless, paperless, cashless society” is the major objective of Digital India Programme. Internet banking, both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. Under this system, online banking transaction is possible where every bank customer is provided with a personal identification number (PIN) for making transactions with the bank through their bank website.

### **Literature review**

Financial services need to be seamlessly integrated into the overall customer journey. FIs have the opportunity to provide holistic platform for customers which address end to end needs. FIs must think beyond their conventional offerings’ to serve as facilitator, creating marketplaces that permit buyers and sellers to come together (*Boston Consulting Group and Facebook* 2017). majority of the respondents are satisfied with the factor of “E-Transfer of Funds, Security of Transactions”, majority of the respondents are highly satisfied with the factor of “Balance Enquiry, User friendliness of E-Banking, Promptness in attending grievances/Queries, Adequacy of Information provided by banks. It also stated that the customers of private sector bank are of high level than that of the public sector banks in respect of these aspects. Hence it has been concluded that the public sector banks must have commitment to net banking along with a deeper understanding of the customer needs. At the same time, the banks from both the sectors should maintain effective E-banking practices by all means ( *Gomathi. A* 2017). The banks should make efforts to earn its customers trust, as customer’s decision to adopt the innovation in banking transaction. The success and failure of any business depends upon how far they satisfy the expectations of their customers (*Sundaramoorthy* 2016). The socio economic variables have significant impact on the opinion about e-banking services. The Discriminate Function Analysis (DFA) proved that the selected independent variables are discriminating the group of dependent variables namely opinion about need of E-banking services, difficulty in use of E-banking services, economy and usefulness of E-banking services at more than 95 per cent. It also stated that majority of respondents’ are satisfied with E-banking services (*Mallika,K.S.K* 2014)

### **Objectives of the study**

- To study the relationship between demographic variables of sample respondents and frequency of usage on internet banking services.
- To identify the factors influencing customers’ preference towards internet banking services.

### **Hypothesis of the study**

**H1:** There existed significant difference in frequency of usage of various internet banking services among respondent groups having different family income.

**H0:** There existed no significant difference in frequency of usage of various internet banking services among respondent groups having different family income.

### **Research design**

The study is descriptive in nature and based on primary as well as secondary data. The required primary data were collected from 150 bank customers across six banks at Sivaganga District through a well structured interview schedule. Of the six banks selected two were public sector banks, two were old private sector banks and another two were new private sector banks. Secondary data were also

collected for the study purposes from IMAI Report, Annual report of selected commercial banks and BCG report on Encashing on digital finance services in 2020.

### **Sampling design**

#### **i) Sampling unit**

Out of 32 Bank branches 6 commercial banks were selected as sample unit. The sample units of this study consist of

2 public sector banks viz.,

1. State Bank of India
2. Indian Bank

2 New Private sector Banks viz.,

1. City Union Bank
2. Lakshmi Vilas Bank

2 Old Private sector Banks viz.,

1. HDFC Bank
2. ICICI Bank

#### **ii) Sample Size**

Primary data was collected from 150 bank customers who are making use of internet banking services. Random sampling method was adopted for selection of sample banks. 25 Bank customers were selected from each bank as sample respondents for collection of primary data.

#### **iii) Tools for collection of data**

A well structured interview schedule was used for collection of primary data

### **Period of the study:**

The present study was conducted during December 2020 to March 2021.

### **Tools for analysis**

The collected data has been analyzed by applying percentage analysis, one way –ANOVA and Garrett's Ranking

### **Demographic profile of internet banking customers**

The Demographic profile of sample respondents is presented below

<b>S.No</b>	<b>Demographic factors</b>	<b>Number</b>	<b>Percentage (%)</b>	
<b>1</b>	<b>Gender</b>	Male	54	36%
		Female	96	64%
<b>2</b>	<b>Age group</b>	Below 18-20	09	6
		21-30	51	34
		31-40	46	30.67
		41-50	30	20
		Above 50	14	9.333
<b>3</b>	<b>Educational qualification</b>	School level	06	4
		Diploma	19	12.67

		Graduate	46	30.67
		Post Graduate	67	44.67
		Others	12	8
4	Occupation	salaried	76	50.67
		Businessman	29	19.33
		Professional	33	22
		Others	12	8
5	Family Monthly Income	Below Rs.10000	6	4.0
		10001-20000	30	20.0
		20001-30000	34	22.7
		30001-40000	26	17.3
		40001-50000	24	16.0
		Above 50000	30	20.0
6	Marital Status	Unmarried	73	48.67
		Married	77	51.33
7	Banking experience	1	32	21.3
		2	56	37.3
		3	20	13.3
		4	22	14.7
		More than 4	20	13.3

Source: Primary Data

From the above table it could be understood that,

- 1) Majority of 64 per cent of the sample respondents were female and 36 per cent of the sample respondents were male. Hence it could be observed that internet banking is highly preferred by female customers than male customers.
- 2) 34 per cent of the sample respondents belonged to the age group of 21 - 30years, another 30.67 per cent of respondents belonged to the age group 31 – 40 years. Hence it could be stated that young customers aged below 40 years have higher degree of usage of internet banking.
- 3) Out of total respondents, 44.67 per cent of the sample respondents were post graduates, 30.67 per cent of the sample respondents were graduates, and 12.67 per cent of the respondents were Diploma holders. To conclude, majority of internet banking customers' have PG level educational qualification.
- 4) Majority of 50.7 per cent of the sample respondents were salaried, 22 per cent of the respondents were professionals, 19.3 per cent of respondents were businessmen, and 2.7 per cent of the respondents were farmers and another 5.3 per cent were engaged in other occupations. Hence salaried class, professional and business men are highly using internet banking than others.
- 5) Out of the total respondents, 64 per cent of the sample respondents' family had a monthly income of less than Rs. 40,000. Hence it could be inferred that internet banking is highly preferred by middle income group.
- 6) 51. 33 per cent of sample respondents were married and the remaining 48.67 per cent of respondents were unmarried. This indicates that internet banking usage is comparatively high among the married customers.

7) Out of total respondents majority of respondents were using banking services for the past 2 years.

Further in order to test significant differences if any between Family Income and frequency of usage of various internet banking services offered by commercial banks at Sivaganga District, the statistical test Analysis of Variance (ANOVA) was used. The following hypotheses were framed to test the same. The test of hypothesis for ANOVA is presented in Table

**(Ho):** There existed no significant difference in frequency of usage of various internet banking services among respondent groups having different family income.

**Family Income of sample respondents and frequency of usage of various internet Banking Services (One Way ANOVA Test)**

Parameters	Sources of variance	Sum of Squares	D.f	Mean Square	F	Sig.
Fund transfer service from one bank account to another bank account	Between Groups	9.341	5	1.868	1.8	0.12
	Within Groups	149.253	144	1.036		
	<b>Total</b>	158.593	149			
Depositing money online	Between Groups	1.723	5	0.345	0.4	0.85
	Within Groups	123.61	144	0.858		
	<b>Total</b>	125.333	149			
Air, Rail, Bus hotel tickets booking	Between Groups	6.789	5	1.358	1.25	0.29
	Within Groups	157.085	144	1.091		
	<b>Total</b>	163.873	149			
Online shopping	Between Groups	5.362	5	1.072	1.64	0.15
	Within Groups	94.031	144	0.653		
	<b>Total</b>	99.393	149			
Instant recharge	Between Groups	10.214	5	2.043	1.63	0.16
	Within Groups	180.746	144	1.255		
	<b>Total</b>	190.96	149			
IMPS funds transfer	Between Groups	11.916	5	2.383	2.07	0.07
	Within Groups	165.958	144	1.152		
	<b>Total</b>	177.873	149			
	Between Groups	10.99	5	2.198	1.68	0.14

Fund transfer through RTGS/NEFT	Within Groups	188.983	144	1.312		
	<b>Total</b>	199.973	149			
Statement of account request	Between Groups	4.625	5	0.925	0.93	0.47
	Within Groups	143.969	144	1		
	<b>Total</b>	148.593	149			
standing instruction	Between Groups	8.794	5	1.759	1.44	0.21
	Within Groups	175.346	144	1.218		
	<b>Total</b>	184.14	149			
Cheque book request	Between Groups	14.13	5	2.826	2.51	0.03
	Within Groups	162.03	144	1.125		
	<b>Total</b>	176.16	149			
Online tax payment	Between Groups	19.946	5	3.989	2.98	0.01
	Within Groups	193.047	144	1.341		
	<b>Total</b>	212.993	149			
E-pay for automatic bill Payments	Between Groups	5.072	5	1.014	0.99	0.43
	Within Groups	147.522	144	1.024		
	<b>Total</b>	152.593	149			
DEMAT & IPO services	Between Groups	7.143	5	1.429	1.34	0.25
	Within Groups	153.497	144	1.066		
	<b>Total</b>	160.64	149			
Payment for credit card transactions	Between Groups	10.035	5	2.007	2.55	0.03
	Within Groups	113.405	144	0.788		
	<b>Total</b>	123.44	149			

**Source: Primary Data**

### **Inferences**

It is revealed from the result of one- way ANOVA which tested the hypotheses that there existed no significant difference in frequency of usage of internet banking services viz., Fund transfer service from one bank account to another bank account, Depositing money online, Air, Rail, Bus and Hotel tickets booking, Online shopping, Instant recharge, IMPS funds transfer, Fund transfer through RTGS/NEFT, Statement of account request, Standing instruction service, E-pay for automatic bill

payments, and DEMAT & IPO services among respondents of different family income groups were accepted at 5 per cent level of significance.

**FACTORS INFLUENCING CUSTOMERS’ PREFERENCE**

Customers today are smarter than ever before. The banks must understand the customers’ mindset i.e. their wants, needs, and desires and design optimized experiences for them. The factors influencing customers’ preference towards internet banking services is presented below.

**Factors influencing customer’s preference towards internet banking services.**

Factors	RANK					Average score	Rank
	1 (No.)	2 (No.)	3 (No.)	4 (No.)	5 (No.)		
Time and money saving process	60	28	19	29	14	57.6	1
Website design	20	31	34	28	37	47.37	4
Customer awareness	23	35	25	29	38	47.9	5
Service quality	23	26	32	40	29	48.07	3
Security measures	24	30	40	24	32	49.07	2

**Source: Primary Data**

**Inferences**

The factors which influencing customers’ preference towards internet banking services were displayed in above Table. As per the Garrett ranking the influencing factors as per the rank order are given below:

1. Time and money saving process
2. Security measures
3. Service quality
4. Website design
5. Customer awareness

Hence it could be observed that “Saves time and energy” is the factor which has contributed more in increasing customers’ preference towards internet banking services followed by the Security measures taken by the bankers

**Findings and suggestion**

Demographic factors such as age, *income*, *gender* and educational qualification of sample respondents were also *acting as a significant factor* for determining user perception on internet banking services .It could be understood from the result of one way –ANOVA that the frequency of usage of various internet banking services is independent of their family income *level*, *which* means that *the difference* in income level does not create any significant difference on *the customer’s* perception on frequency of usage of various internet banking services.

Hence these findings implied that the bank officials should motivate their customers to use their internet banking services without considering their demographic factors. The bank should also adopt some more functional strategies like providing instruction on how to use internet banking services in *the regional language* of their customer, making their internet banking service portal more users friendly



for increasing customer's convenience.

### Conclusion

Thus by following the above recommendations, the Indian bankers can pave the way for the successful implementation and popularizing the new concept of Internet banking on a large scale. Because still people of those areas who are having lack of awareness and lack of knowledge about computer and internet are hesitate to use internet banking services. So that the bank officials should motivate their customers to use their internet banking services without considering their demographic factors such as age, educational qualification and family income. New technology adoption with the defined rules and regulations by considering the technical restrictions will always provides the intended results.

### Reference:

1. Anju Gautam (2016). *Internet Banking: Problem and Future Outlook*. Random Publication.
2. Uppal,R.K (2011). *Internet Banking Problems and Future Outlook*. Kunal Books Publishers & Distributors
3. AlMohaimmeed, B. M. (2012). *Customer behaviour towards Internet banking: A study of the dormant users of Saudi Arabia* (Doctoral dissertation, University of Birmingham).
4. Aydın, D. (2014). *Customer perception towards the internet banking services performed by the Turkish banking system* (Doctoral dissertation, Eastern Mediterranean University (EMU)-Doğu Akdeniz Üniversitesi (DAÜ)).
5. Gomathi,A.,(2017). Customers Perception about the internet banking in Thanjavur District Tamil Nadu – An Empirical Study.
6. Krishnamurthy,M.(2006). Product Innovation in Banking Industry. *Professional Banker*, Vol. 8, No. 6, pp.51-55.
7. Sundaramoorthy (2016). Customers' perception on internet banking in Tirunelveli district.
8. BCG-Facebook (Jun 2017). Encashing on digital finance services in 2020.
9. Gomathi,A.,(2017). Customers Perception about the internet banking in Thanjavur District Tamil Nadu – An Empirical Study
10. Mallika, K. S. K. Customers attitude towards e banking services a study with reference to public sector banks in Madurai district.
11. Gopalsamy, A. P. D. S. UTILIZATION OF PRIORITY SECTOR CREDIT LOANS IN COMMERCIAL BANK WITH REFERENCE TO SIVAGANGAI DISTRICT.