Customer Perception about E-banking Adoption in Indian Banking Sector

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Abstract

Today banks operate in a highly globalized, liberalized, privatized and competitive environment. Indian banking industry has witnessed a tremendous developments due to sweeping changes that are taking place in the information technology. Due to advent of IT, now banking services are accessible 24x7. The present research has been carried out to study the current scenario of e-banking in India and to analyze the perception of customer about e-banking adoption. In this study opinions of 100 customers from Jaipur city in Rajasthan were taken. The findings revealed that People are not completely aware of e-banking and most of them are still in dilemma related to security and privacy issues of e-banking.

The paper also highlights the challenges faced by Indian banks in adoption of technology and recommendations are made to tackle these challenges. The paper concludes that in coming years e-banking will be a preferred mode of banking but not will be the only one.

Keywords: customer perception, competitive environment, e-banking, information technology, sweeping changes.

Introduction

In India current scenario of banking is the aggregate of functions directed at providing services to satisfy customers’ financial needs and wants more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank. Banks are providing innovative services with innovates styles. Public sector banks are facing increasingly more competition, whereas foreign and private sector banks are trying to win customer loyalty, commitment and trust by providing them better quality services.

Competition and the constant changes in technology and lifestyles have changed the face of banking. Nowadays, banks are seeking alternative ways to provide and differentiate amongst their varied services. Customers, both corporate as well as retail, are no longer willing to queue in banks, or wait on the phone, for the most basic of services. They demand and expect to be able to transact their financial dealings where and when they wish to. With the number of computers increasing every year, the electronic delivery of banking services is becoming the ideal way for banks to meet their clients’ expectations. Tremendous progress took place in the field of technology which has reduced the world to a global village and it has brought remarkable changes in the banking industry. Branch banking in the brick and mortar mode has been transformed into click and order channel mode.

E-banking

E-banking is the banking of new era. The term internet banking or e-banking both are used as supplement. Making banking products and other services available to wholesale and retail customers, through an electronic distribution channel is called e-banking.

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. In other words e-banking refers to the banking operations, which is done over World Wide Web. E-banking is the outcome of technological innovations and competition. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or mobile phone.

Internet banking (IB), has enabled busy people to complete their financial activities in a cost-effective and efficient manner at any time of the day, regardless of their physical location. Internet Banking also allows
bank customers to engage in a vast array of financial services such as paying bills, checking account information, transferring funds, and utilizing investment and check services through bank websites. There have also been benefits for the banks and they spend a great amount of money on IB because it reduces costs relative to other forms of banking, and provides more timely and complete customer information. It also increases service quality which is necessary for survival in competitive markets. However, achieving these goals requires customers to adopt IB. Thus, financial service providers must aim to have, in the establishment and development of IB capabilities, a comprehensive understanding of how their customers feel about this technology. An important factor that influences customer adoption and use of IB is their attitude toward the technology. By identifying the expectations and wants of customers, and understanding their attitude for adopting or not adopting IB, strategy-makers can develop strategies to improve the level of satisfaction among customers to attract new and to retain the existing ones.

**E-banking - An Opportunity for Banks**

Banks feel the need to offer e-banking services today to keep up with the competitors and to be able to retain their existing customers. The Internet is not only a low cost approach to determine new distribution channels but also to establish a presence in new and upcoming markets. E-banking offers banks an opportunity to improve on their customer service by collecting and managing information pertaining to their customers and their individualistic preferences. E-banking also provides an opportunity to build on their relationships with their existing customers. E-banking is an opportunity for banks to reduce their overhead costs as the need for physical branches is drastically cut down. For the banks e-banking is an innovative scheme, it addresses competition and present the bank as technology driven in the banking sector market. E-banking reduces customer visits to the branch and thereby human interventions. Integrated customers data paves way for individualized and customized services. E-banking is an effective medium of promotion of various schemes of the bank, a marketing tool indeed.

**E-banking - An Advantage for Customers**

Today, online banking is ubiquitous, popular, and not going away anytime soon. It is also better than traditional banking. Online banking is just a website away, no matter wherever the customer is in the world. Convenience in online banking acts as a tremendous psychological benefit all the time. E-banking expands the domain of access to banking services. It brings down cost of banking to the customer over a period of time. Customers’ intentions to use internet banking can be affected by customers’ attitudes toward using internet. When customers have positive attitudes, they are more likely to adopt internet banking and vice versa. Customers’ attitudes are significant factor affecting customer behaviors in accepting or rejecting technology. Electronic banking usage had a considerable effect on customer loyalty among the electronic banking users, while it had a negative impact on non-users. It was concluded that customer care and customer retention should be taken into consideration, because the convenient, easy and fast banking services is associated with the human and technology based delivery processes so that they are linked with the customers’ perceptions of how these bank services are delivered to them.

In our study, we tried to expose the situation regarding the e-banking usage in Indian banks, analyzing the customer perception regarding advantages and challenges in adopting e-banking in the banking system. This paper includes the objectives, research methodology, hypothesis and analysis and ended with conclusions, findings and suggestions.

**Review of Literature**

1- Payam Hanafizadeh, Byron Keating and Hamid Reza Khedmatgozar, (2014) presented a systematic review of 165 research articles published on the adoption of Internet banking (IB) between 1999 and 2012. The results show that interest in the topic of IB adoption has grown significantly during this period, and remains a fertile area for academic research into the next decade.
Miss. K. Saranya, (2013) analyzed in her study that customers are increasingly demanding more value, with goods customized to their exact needs, at less cost, and as quickly as possible. This transformation of business from an old company to a new agile electronic corporation is not easy and requires a lot of innovative thinking, planning and investment. This paper helps to understand about E Banking.

Dr. Preeti Singh, (2013) the research paper was focused on to identify the factors that are the barriers for the usage of internet banking services and also to study the perception of customer about internet banking. The study identify the nine factors i.e. cost, reliability, processing barriers, security issues, technological incontinence, lack of infrastructure, conventional approach, risk and resistance, which were the barriers in the usage of Internet Banking services in the semi-urban areas.

Jagdeep Singh, (2012) studied the present scenario of e-banking and the results revealed that people are aware of e-banking, but not fully. The Customers are at ease after using e-banking, it saves the precious time of the customer. It has also been found that Customer satisfaction varies according to age, gender, occupation etc.

Majid Karimzadeh, (2012) conducted a study to find out the main factors and challenges posed in the development of electronic banking after a relatively long period of adoption in India. The results of the study indicate that legal and security, socio-cultural, and management and banking issues are accepted as challenges for the development of e-banking but that there is less awareness regarding new technologies and unsuitable software which are ranked respectively as the highest and lowest obstacles in India.

Alireza Rabi, (2011) carried out a study focusing on the challenges (problems) of electronic banking development in Saman Bank’s staff (the managers and bankers) and customers. The main recognized problems or barriers are social - Cultural barriers, Management barriers and Technological barriers.

Andrew Musiime and Malinga Ramadhan, (2011) conducted a study to determine the factors that influence consumer adoption of Internet banking service as well as examine the relationship between Internet banking service, customer adoption and customer satisfaction. The findings of the study revealed that there was a significantly positive relationship between Internet banking and customer satisfaction. The study recommended that more emphasis and efforts be laid on targeting individual clients.

Objectives of the study

1. To study the e-banking scenario in India and to analyze how the banks can use e-banking to improve their client engagement and business processes.
2. To study the customer perception about safety and security of a financial account in e-banking as a challenge faced by Indian banks in adoption of technology.
3. To analyze that knowledge of a customer about e-banking can be a biggest challenge for e-banking adoption.

Hypothesis of the Study

After a review of concepts and the relevant literature pertaining to e-banking, research has been identified and organized following two hypotheses in this study:

1. Null Hypothesis (Ho): E-banking is not trusted sufficiently by customers due to safety, security and privacy of accounts related issues.

Alternate Hypothesis (Ha): E-banking is trusted sufficiently by customers due to safety, security and privacy of accounts related issues.

2. Null Hypothesis (Ho): Knowledge barriers are not the challenge for implementation and development of e-banking in India.

Alternate Hypothesis (Ha): Knowledge barriers are one of the challenges for implementation and development of e-banking in India.
Research Methodology

This research is undertaken with an idea to analyze customer perception regarding e-banking adoption. This study is based on a survey conducted on a representative sample of 100 customers of different banks which are randomly selected and various questions were asked from them about e-banking. The research has been carried out during 3 months, from May to July 2015.

Both Primary and Secondary data were used. Primary data is collected directly by interacting with the customers by using questionnaire. A well structured questionnaire was prepared for the collection of necessary primary data on different aspects of e-banking. The purpose of the selected questions was to know the perception of selected respondents about e-banking adoption.

Secondary data was collected from the literature surveys, existing data sources, Catalogues, internet and World Wide Web. Collected data was edited, tabulated, analyzed and tested by using statistical tool table and percentage.

Analysis and Interpretation of Data Collected through Questionnaire

| Table 1 – Age of respondents is categorized into four groups |
| Age Group | No. of Respondents | Percentage |
| 25-34     | 45               | 45%        |
| 35-44     | 28               | 28%        |
| 45-54     | 15               | 15%        |
| 55 and above | 12             | 12%        |

Interpretation: Table 1 reveals that researcher has selected total 100 respondents out of them 45% are of younger age between 25-34 years, 28% are of middle age between 35-44 years and rest 27% respondents are age of more than 45 years. It results that maximum respondents selected are of younger age and respondents of older age are less in number.

| Table 2 – Number of internet users among selected respondents |
| Response | No. of Respondents | Percentage (%) |
| Yes      | 93                | 93%           |
| No       | 07                | 07%           |

Interpretation: Table 2 reveals that out of selected 100 respondents maximum 93% are using internet and rest 07% respondents are not using internet on mobile or computer etc. It results that maximum respondents using e-banking are of younger age and respondents of older age are not very much comfortable with internet.

| Table 3 – Time span of using internet among (Responses of internet users) |
| Time Span | No. of R. | %     |
| < 3 yrs    | 46        | 49.46%|
| 3-5 years  | 28        | 30.10%|
| 5-10 years | 19        | 20.43%|
| > 10 yrs   | 0         | 0%     |

Interpretation: Table 3 reveals that out of selected 100 respondents 93 are using internet and out of those 93 respondents different customers are using internet from different span of times and the above table represents the statistics of those time intervals. 49.46% customers are using internet from less than 3 years, 30.10% are using from 3-5 years and 20.43% are using from 5-10 years.

It shows that internet is mostly used by younger people and most of them are using it from last 5 years.

| Table 4 – Awareness level about E-banking |
| Response | No. of Respondents | Percentage (%) |
| Yes      | 100               | 100%           |
| No       | 0                 | 0%             |

| Table 5 – Main Purpose of using internet |
| Purpose | Rank I | Rank II | Rank III | Rank IV |
| Banking  | 73     |        |          |        |
| Shopping | 78     |        |          |        |
| Any Search | 69    |        |          |        |
| Entertainment | 82 | | |        |
Interpretation: Table 4 reveals that out of selected 100 respondents all 100% know about e-banking and nobody is unaware about it. It shows that e-banking is popular enough and everybody knows about it. People are aware of e banking but don’t have full knowledge about it. Table 5 reveals that out of selected 100 respondents 93 are using internet and out of those 93 respondents different customers have used internet for different purposes and the above table represents the ranking given by respondents to those purposes. Majority of the respondents which is 82 have given I rank to entertainment that they are using internet most of the times for entertainment, 78 respondents have given II rank to shopping, III ranking given by 73 respondents to banking and 69 respondents have given forth ranking to any search.

Conversation with respondents researcher observed that mostly people using internet but their first priority is always entertainment, as they use e-banking also but while using it most of them feel insecure about their account and password so they use where it is necessary but in other activities like entertainment, shopping and any search there is no security issue so they use it freely.

### Table 6 – Respondents response about E-banking advantages

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of R.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>86</td>
<td>86%</td>
</tr>
<tr>
<td>Disagree</td>
<td>14</td>
<td>14%</td>
</tr>
</tbody>
</table>

Interpretation: Table 6 reveals that out of selected 100 respondents all 86% are agree that e-banking has make their life easy and rest says it doesn’t impact on life.

### Table 7 - Respondents response about E-banking challenges

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of R.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>76</td>
<td>76%</td>
</tr>
<tr>
<td>Disagree</td>
<td>24</td>
<td>24%</td>
</tr>
</tbody>
</table>

Interpretation: Table 7 reveals that out of selected 100 respondents all 76% are agrees that sometimes e-banking become challenging and rest 24% don’t feel any challenge in e-banking.

Conversation with respondents researcher observed that mostly people using e-banking feel it is an easy way of financial transactions on just a single click from anywhere but most of them also a doubt of insecurity, privacy and safety of their account and password.

Advantages of e-banking:

According to the opinion of respondents, researcher has observed the following advantages of e-banking

1) E-banking has tremendously reduced the time required to process banking transactions, thereby making banking faster and convenient.
2) Customer can access any information regarding their account and transactions, any time of the day.
3) E-banking lesser the cost of transaction for a customer and for a bank both.
4) Customer can regularly monitor their account as well as keep track of financial transactions.
5) Fund transfers, both national and international, have also become faster and convenient.
6) E-banking just a click away.
7) E-banking gives fast and quick result.
8) Customers are no longer required to wait in long and wearisome queues of the banks to request a financial transaction or statement.

Challenges of e-banking:

According to the opinion of respondents, researcher has observed the following challenges of e-banking

1) E-banking users need to have an ample knowledge of internet.
2) Banks always don’t provide a proper guideline to use e-banking.
3) E-banking totally dependent on internet and its high speed.
4) It is difficult to trust a completely mechanized system like Internet Banking, in case of financial matters.
5) E-banking becomes burden when server is slow.
6) E-banking sometimes doesn’t give solution.
7) E-banking gives a feel of insecurity for accounts and password.
8) E-banking invite risks of account hacking and all.
Results
Interpretation of table 6 and table 7 reveals that most of the respondents believe that e-banking is an easy way of financial transactions on just a single click from anywhere but sometimes it become burden because of slow server of banks or low speed of internet as it is completely dependent on internet. As now we all know about many cases of internet hackers most of the respondents feel insecure about their online accounts and password. In addition to this, people also find a difficulty in trusting a completely mechanized system like e-banking, in case of financial matters. In many instances, a simple mistake, like clicking a wrong button, may create a big problem. A feel of insecurity bound them to purely involve in e-banking.

On the basis of the above analysis researcher conclude that e-banking is not trusted sufficiently by customers due to safety, security and privacy of accounts related issues. Hence researcher state that the Null Hypothesis (Ho) i.e. ‘E-banking is not trusted sufficiently by customers due to safety, security and privacy of accounts related issues.’ stands as accepted and the alternate hypothesis is rejected.

Interpretation of table 2 and table 3 shows that internet is mostly used by younger people and most of them are using it from last 5 years. Still few people doesn’t have the knowledge about internet, they are aware about it but don’t have the knowledge to use it.

Interpretation of table 6 and table 7 reveals that most of the respondents believe that a basic knowledge of computers and the Internet is required, which limits the number of people willing to avail this facility. This is a big challenge for new users as different links on websites sometimes misguide also and a feel of less knowledge bound them to purely involve in e-banking as it results a purely waste of time.

On the basis of the above analysis researcher conclude that e-banking is not used by some of the customers due of lack of knowledge about internet or e-banking. Hence researcher state that the Null Hypothesis (Ho) i.e. ‘Knowledge barriers are not the challenge for implementation and development of e-banking in India.’ stands as rejected and the alternate hypothesis is accepted.

The e-banking revolution has fundamentally changed the business of banking by scaling borders and bringing about new opportunities. E-banking in India has also created many new challenges for bank management and regulatory authorities. It has also been found that Customer satisfaction varies according to age, gender, occupation etc. Younger generation is beginning to see the convenience and benefits if e-banking. In years to come, e-banking will not only be acceptable mode of banking but will be preferred mode of banking.

Suggestions
No doubt Indian banks are making sincere efforts for the adoption of advanced technology and installation of e-delivery channels but still masses are wary of the concept. Banks are making sincere efforts to popularize the e-banking services and products. On the basis of the study researcher suggest the followings suggestions:

1) Banks should develop a clear strategy and communicate it throughout the organization about e-banking and related innovations.
2) People are aware of e-banking- but not fully, banks should try to make people aware of it.
3) Banks should try to improve the internet facility in remote areas at faster rate.
4) Banks should focus on the trust, awareness, and confidence of users by enhancing security features, utilizing proper e-legislation, and the provision of digital receipts or a guarantee for every transaction in order to inspire greater confidence in users of such services.
5) Banks should try to promote a culture of e-banking usage across India.

References


