

Customer's Perception towards Technology based Banking – A Review

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Introduction

Online banking (or Internet banking) allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union. An analysis of the differences in risk perceptions between bank customers using Internet Banking and those not using Internet Banking was done and it showed that risk perceptions in terms of financial, psychological and safety risks among customer not using the internet was more meaningful than those using internet banking. Customers not preferring to use internet banking thought that they would be swindled when using this service, and therefore, are particularly careful about high risk expectation during money transfers from and between accounts. Only 37% of Indian Internet users come from Top 10 cities i.e. Mumbai, Bangalore, Delhi, Calcutta, Chennai, Pune, Hyderabad, Ahmedabad, Surat and Nagpur. Another day and another number. As per IAMA and I-cube, the number of active Internet user (i.e. ones who logon to Internet atleast once a month) is now 32 million and numbers who have used Internet atleast once stands at 46 million. Maximum of the person who is going on for internet banking lies in the age bracket of 26-35. But the rise in the age the level of users becomes low.

Private and foreign banks are trying to turn more and more customer towards the usage if internet for the banking transaction. This study is basically to know the relation of various independent variables on the customer usage of internet for banking.

Electronic Banking Medium

In India still there is lack of users for internet as a medium for banking purpose, but the banking system are upgrading and bringing many electronic banking medium for customers so that banking can be made more convenient.

Joseph et al. (1999) investigated the influence of internet on the delivery of banking services. They found six underlying dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization. **Jun and Cai (2001)** identified 17 service quality dimensions of i-banking service quality. These are reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and divers features. They also suggested that some dimensions such as responsiveness, reliability and access are critical for both traditional and internet banks. **Jayawardhena (2004)** transforms the original SERVQUAL scale to the internet context and develops a battery of 21 items to assess service quality in e-banking. By means of an Exploratory Factor Analysis (EFA) and a Confirmatory Factor Analysis (CFA), these 21 items are condensed to five quality dimensions: access, website interface, trust, attention and credibility.

From the provider perspective, there are target quality and delivered quality. The focus of process- or supply-led quality definition is rather internal than external, and it is defined as conformance to requirements. It lays emphasis on the importance of the management and the supply-side quality, and there is an important role of the process in determining the quality of outcome (**Ghobadian, 1994**). Achieving the quality of conformance between the planned (target) quality level and the real quality delivered to customers depends on the service quality management system in an organization.

IAMAI report on online banking 2006, 43% of online banking users haven't started online financial transaction because of security reasons, 39% haven't started because they prefer face to face, 22% haven't started because they don't know how to use, for 10% sites are not user friendly and for 2% banks are not providing the facility of internet banking. According to research 68% of the customers cannot say that when they will be starting the financial transactions through internet.

Maximum numbers of online banking users are male and maximum of them are in age the group of 25-35. Numbers of female users are very less i.e. 17% only. More than 60% of the people who are having account with have accounts in 3-4 banks.

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The Indian Internet Banking Journey In 2001, a Reserve Bank of India survey revealed that of 46 major banks operating in India, around 50% were either offering Internet banking services at various levels or planned to in the near future. According to a research report, (India Research, Kotak Securities, May 2000.) while in 2001, India's Internet user base was an estimated 9 lakh; it was expected to reach 90 lakh by 2003. Also, while only 1% of these Internet users utilized the internet banking services in 1998, the Internet banking user base increased to 16.7% by mid- 2000.

Meuter et al. (2000) have identified critical incidents of customer satisfaction and dissatisfaction with technology-based service encounters. Given that business-to-business transactions are the fastest growing segment of technology-driven services (Hof, 1999); Meuter and his colleagues (2000) suggested investigating what drives business customer satisfaction or dissatisfaction with technology driven services. According to Gönroos (1982), customers distinguish the quality of customer interactions that take place during service delivery (functional quality) and the quality of the outcome the customer receives in the service encounter (technical quality).

Customers perceive the quality of services of Internet banking based on the performance of online delivery systems – not on the processes in which the delivered service is developed and produced. Because customers perceive Internet banking service quality based on relatively standardized outcomes determined by online systems, customer attitudes toward that outcome reflect overall quality of services delivered

Customers usually perceive risks in conducting transactions electronically and particularly if the transactions involve money. Risk perception can be of six different types: time risk, financial risk, performance risk, psychological risk and safety/confidentiality risk. It is generally considered that risk perception could be higher for electronic banking services. This study aims to understand extent to which whether this is consideration is valid as well as to determine the levels of risk perception differences among those using Internet Banking and those not using it.

Technology Based Banking – Previous studies

Mookerji (1998): Internet Banking is fast becoming popular in India. However, it is still in its evolutionary stage. By the year 2005, large sophisticated and highly competitive internet banking markets will develop. Almost all the banks operating in India and having their websites but only a few banks provide transactional internet banking.

Daniel (1999) :Customer's value features in internet banking such as convenience, increased choice of access to the bank, improved control over their banking activities and finances, ease of use, speed and security. From the banks perspective the main benefits and electronic banking are cost savings, reaching new segments and the population, efficiency, cross selling, Third –party integration, and customer satisfaction.

Guru et al., (2000): Examined the various electronic channels utilized by the Malaysian banks and also assessed the consumer's relations and reactions to these delivery channels. It was found that either Internet banking was absent or it was not successful in the local Malaysian banks due to lack and adequate legal frame work and security purpose. However major percent of the respondents were having internet access at home and this represented a positive indication for personal computer based and e-banking in future.

Furst et al., (2000): Contributed data on the number & National banks in U.S offering Internet banking and the product and services being offered. Only 30 percent of National banks offered Internet banking in the Fourth quarter of 1999. However as a groups these Internet banks accounted for almost 90 percent of National banking systems assets, and 84 percent of small deposits banks in all size categories offering Internet banking tend to

accounts less on interest – yielding activities and core deposits than do non internet banks, also institution with Internet banking out performed non-Internet banks in Terms of Profitability.

Suganthi et, al., (2001): Conducted a review of Malaysian banking sites and revealed that generally all banks are having a web access. Only Four banks out the ten major banks were in the transactional sites. The rest of sites were at informal level. There are various psychological and behavioral issues such as trust, security of Internet Transaction, unwilling to change and preference for human interface which appear to hinder and growth of Internet banking.

Janice et al., (2002): Based on the interviews with four banks in Hong Kong reviewed that banks view the internet as being a supplementary distribution channel for their products and services in addition to other forms of distribution channel such as Automated Teller Machine (ATMs), Mobile Phone and Bank branches. Basic transactions and Securities trading are the most popular types of operations that customer's carryout in internet banking.

Lustsik (2003): Based on the survey of experts of e-banking in Estonia banks found that Estonia has achieved significant success in implementation of e-banking and also on the top of the list in emerging countries. All the major banks are developing e-business as one of the core strategies for future development.

Zeithmal and Bitner (2003): "Satisfaction is the consumer fulfilment response. It is a Judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfilment."

Hiltunen et al. (2004): Customers value features in internet banking such as convenience increased choice of access to the bank, improved control over their banking activities and finances, ease of use, speed and security. From the banks prospective the main benefits of electronic banking are cost saving, reaching new segments of the population, efficiency, cross selling, third party integration and customer satisfaction

Chowdari Prasad (2004): Studied the performance of all private sector banks. As per the criteria selected like efficiency, financial strength, profitability and size of scale it is revealed that the private sector banks were in a better position to offer cost effective, effective product and services to their customers using technology, best utilization of human resources along with the professional management and the corporate governance principles. -Chowdari Prasad (2004). "Private Sector Banks in India-A SWOT ANALYSIS"

Sathye, Milind (2005): Sathye found that the performance of the public sector banks was sounder as compared to the private sector banks.

Sanjay.J. Bhayani (2006): In his study analyzed the performance of new private sector banks with the help of the CAMEL Model. The study covered 4 leading private sector banks-ICICI, HDFC, UTI & IDBI for a period of 5 years from 2000-2004. It is revealed that the aggregate performance of IDBI bank is the best among all the banks followed by UTI. Sanjay J. Bhayani (2006). "Performance of the new Indian private banks" -A Comparative Study.

Arabinda Saha (2008): States that the formal banking system can perhaps learn something from the success of micro-credit. The steps to be taken to facilitate increased earnings of the selected banks are more profitability, practical management, follow-up of loans, Advisory services, customer information services, credit card services, e-commerce technology and establishing of "Research cell" are in each of the banks is important.

Ca. Lavanya Gupta (2009): The advent of the internet has provided great and endless opportunities for the people all over the world and the importance of the internet in the world of business and banking has grown astoundingly. This is why most business today, from colossal corporations to petite family-owned enterprises, has embraced the internet to avoid being edged out by their competitors. It is inevitable to espouse the same and resort to the internet which opens the door to the world.

Bernadette D.Silva et al., (2010): Conducted an Analysis for internet banking says that the bank corporate to understand that there are certain Parameters in e-banking which are affected by the demographic status like Gender, Income level and Educational Qualification etc., for opening internet bank account. Bank operations through internet can attract larger customer and it will enhance the brand image of banks for usage of sophisticated technology.

MD. Mallya, (2010): Technology has changed the face of banking, more particularly in the Last Five years. Banks have begun to provide virtual banking services to customers. There is ‘anywhere banking’ through core banking systems, ‘Any time banking’ through new 24/7/365 delivery channels such as ATMs and Net and Mobile banking facilities provided in some banks. Currently, 67% of bank branches are on CBS mode, while around 35,000 ATMs are located off-site.

Manoranjan Mobapatra, et al., (2010): About Forty percent of the population in India is un-banked. Since e-banking has evolved as a platform for future innovations that can have long ranging socio-economic benefits for India and hence also be able to capitalize on the Indian government’s dream of, one bank Account Per Indian; established in the fact that e-banking is the need of the hour in India today.

It is a win-win situation for all concerned, operators banks and specialist companies are gradually getting themselves organized to operate e-banking services. Banks are able to reach remote areas without incurring the heavy expenses that opening a branch entails and the ATM penetrating in rural areas is not that High with only forty ATM s per million people in India.

KR. Kamath (2010): Banks may move towards universal banking driven by the forces of deregulation, liberalizations, and technological advancement. The pressures would emanate from super markets, utility service providers etc., Technology has played and is playing a critical and arguably the most important role in redefining the financial business. Banks are responding by offering alternative delivery channels like ATMs, Tele banking, internet banking, mobile banking etc., Most of the banks have already implemented core banking solution (CBS) across all offices to provide “anytime anywhere” banking in true sense.

K.B.L Mathur (2010): Indian banks have shown a healthy growth rate as improvement in performance as is evident from capital adequacy, asset quality, earnings, efficiency indicators and new technological like E-Banking etc.,

Barna Maulick (2010) : Indian banks are hopeful of becoming global brands as they are the major source of financial sector revenue and profit growth. The financial services penetration in India continues to be healthy, thus the banking industry is also not far behind. As a result of this, the profit for the Indian banking industry will surely surge ahead.

Dr.Vijay M.Kumbhar (2011): This study evaluates that the major factors (i.e. service quality, brand perception and perceived value) affecting on customers' satisfaction in e-banking service settings. This study also evaluates influence of service quality on brand perception, perceived value and satisfaction in e-banking. Required data have been collected through customers' survey. For conducting customers' survey likert scale based questionnaire has been developed. A result indicates that, Perceived Value, Brand Perception, Cost Effectiveness, Easy to Use, Convenience, Problem Handling, Security/Assurance and Responsiveness are important factors in customers satisfaction in e-banking it explains 48.30 per cent of variance. Contact Facilities, System Availability, Fulfillment, Efficiency and Compensation are comparatively less important because these dimensions explain 21.70 per cent of variance in customers' satisfaction. Security/Assurance, Responsiveness, Easy to Use, Cost Effectiveness and Compensation are predictors of brand perception in e-banking and Fulfillment, Efficiency, Security/Assurance, Responsiveness, Convenience, Cost Effectiveness, Problem Handling and Compensation are predictors of perceived value in e-banking.

Dr.Vijay Kumbhar (2011): This research is based on empirical evidences collected through the customers' survey regarding to the customers perception in internet banking services provided by public and private sector banks. It is efforts to examines that the relationship between the demographics and customers' satisfaction in internet banking, relationship between service quality and customers' satisfaction as well as satisfaction in internet banking service provided by the public sector banks and private sector banks. Present research shows that the, demographics of the customers' are one of the most important factors which influence using internet banking services. Overall results shows that the highly educated, a person who are employees, businessmen and belongs to higher income group and younger group are using this service, however, remaining customers are not using this services. Results also shows that overall satisfaction of employees, businessmen and professionals are

higher in internet banking service quality. There is significant difference in the customers' perception in internet banking services provided by the public and private sector banks. Private sector banks are providing better service quality of internet banking than service provided by the public sector banks. Therefore, public sector banks should improve their internet banking services according to the expectations of their customers.

CONCLUSION AND RECOMMENDATIONS

There is still a lot needed for the banking system to make reforms and train the customers for using internet for their banking account. Going through the review studies there many problems and fear factor encounter by the customers in using the internet gate way for banking. Banks are trying their level best by providing the best security options to the customers but then to there is lot of factors which betrays a customer from opening an internet bank account.

Banks are providing free internet banking services also so that the customers can be attracted and we came to know that maximum numbers of internet bank account holders are youth, business man and HNI's. If proper training is given to customer by the bank employs to open an account will be beneficial secondly the website should be made friendlier from where the first time customers can directly make and access their accounts.

We can see the time is changing and the passage of time people are accepting technology there is still a lot of perceptual blocking which hampers the growth it's the normal tendency of a human not to have changes work on the old track, that's also one of the reason for the slow acceptance of internet banking accounts. The ways to improve usage of technology based banking by giving proper training to customers for using i-banking, create a trust in mind of customers towards security of their accounts, provide a platform from where the customers can access different accounts at single time without extra charge, make the sites more users friendly and finally customers should be motivated to use I banking facilities more.

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