

## Study of Customer Perception toward Internet Banking in Indore

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### ARTICLE DETAILS

#### Article History

Published Online: 11 January 2018

#### Keywords

Banking, Customers, Internet, Problems, satisfaction

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### ABSTRACT

*In the technology driven world of today, banks are also using ICT to provide its customers the facility of internet banking to operate their account at their will and at their ease. Many studies are being conducted across the world to access the advantages, drawbacks and the problems customers facing with internet banking. The present study measured the impact of demographic factors (Age, Education, Gender and Employment) on customer satisfaction level with internet banking in Indore city of Madhya Pradesh. T test and ANOVA have been used to determine the significant difference among the groups. This study shows that age and gender wise there are no differences in the level of satisfaction but with reference to the education level and type of employment, there were differences among all categories in the level of satisfaction with internet banking. The study also shows that the respondents are satisfied with internet banking facing certain problems like online threats from hackers, and lack of security measures.*

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### INTRODUCTION

ICT has brought tremendous changes in every walk of life and we are moving toward a world which is more technology driven. The process of mechanization has been started during industrialization, when manual works were replaced by machines. The emergence of ICT has set the stage for a paperless world. The process of globalization, fierce competition and cross country business have added fuel to the fire and more and more companies and banks are using Information technology to offer their customers and other stakeholders the convenience of time and place. The banks offering facility of internet banking are at competitive edge over traditional banking. Now the banks are not limited to brick and mortar premise but all the banking operation can be performed at the convenience of customers which is enhancing their satisfaction.

#### What is internet banking?

It is simply the banking services provided by banks over internet.

Arunachalam and Sivasubramanian<sup>1</sup> (2007) explains internet banking as a system where a customer can access his or her bank account via the Internet using personal computer (PC) or mobile phone and web-browser. Internet banking allows it customers to perform all financial transactions via internet.

Internet banking is the act of conducting financial intermediation on the Internet (Kim<sup>3</sup> et al., 2006).

It offers all those services available traditionally through a local branch like deposits, online bill payment knowing account balance, booking fixed deposits etc in a secure environment.

Banks also deliver their offers products and services over internet. For availing internet banking, the customer needs internet connection and a computer or laptop or mobile.

It has many advantages like hustle free depositing or transferring money between accounts, paying bills and that is at our own convenience as it is available 24/7. It is fast and efficient also. But no technology is free from drawbacks and internet banking is also having some disadvantages. The most important issue with internet banking is security as our information may be hacked by unauthorized persons. It is also not possible to use it when the banks server is down, or we don't have internet connection. But a little careful handling can outweigh all the drawbacks of internet banking.

#### OBJECTIVES OF THE STUDY

The present study is an attempt to measure the customer satisfaction level with internet banking in Indore, a city of Madhya Pradesh. The purpose of the study is to measure the impact of demographic factors (Age, Education, Gender and Employment) as determinants of citizens' perceptions toward internet banking.

1. To examine the effect of gender (male and female) on the satisfaction with internet banking.
2. To examine the impact of age as independent variable in explaining the differences among the users of internet banking.
3. To examine the effect of education on the satisfaction with internet banking.
4. To examine the impact of employment on the satisfaction with internet banking.
5. To measure the overall satisfaction with internet banking.
6. To study the problems of customers facing for internet banking.

#### LITERATURE REVIEW

A Samsunisa<sup>4</sup> (2015) has studied the perception of customers towards internet banking on the basis of age and occupation and their usage level and revealed that they are all keen in using internet banking.

In a study conducted in Zimbabwe, researchers examined extent of adoption and usage of internet banking by commercial banks and found that people use it mostly for checking account balance, payment of bills and fund transfer. The perceived benefits as banks revealed by using internet banking are cost reduction, increased loyalty and attracting new customers. (Tulani<sup>5</sup> et al, 2009)

Similarly Singhal and Padhmanabhan<sup>6</sup> (2008) also studied the factors influencing users to adopt e-banking and revealed that they use it mostly for utility request, security, utility transactions, ticket booking and fund transfer.

Auta<sup>7</sup> (2007) empirically examines the impact of e-banking in Nigeria's economy and found customers are satisfied with e-banking system as it provides its customers convenience and flexible advantages such as easy transfer, speedy transfer, less cost and time saving benefits.

Malhotra and Singh<sup>8</sup> (2007) studied the current state of internet banking in India and its impact on Indian banking industry. They also analyzed the difference in the performance of an internet banking group with non-internet banking group and its impact on business performance and risk. The study revealed that nearly 57% of the Indian commercial banks are providing transactional internet banking services. It was also found that internet banks have better operating efficiency ratios and profitability as compared to non-internet banks. The multiple regression results reveal that the profitability and offering of internet banking do not have any significant association.

Another study conducted by Muhammad and Rana<sup>9</sup> (2012) explains the factors influencing customer's intention to adopt internet banking as perceived ease of use, perceived usefulness, compatibility, innovativeness and perceived credibility.

Chang and Hamid<sup>10</sup> (2010) found two major factors influencing customers in Taiwan to adopt internet banking and these are perceived ease of use and perceived usefulness.

Yiu et al<sup>11</sup>, (2007) in their study attempted to know the reasons for adoption of internet banking by retail customers in Hong Kong and found perceived usefulness, perceived ease of use, perceived risk and personal innovativeness on information technology having a positive relationship with internet banking.

Similarly Wu, Chang and Lin<sup>12</sup> (2012) revealed trust, perceived usefulness and perceived ease of use and relative advantage effect significantly on customer's to adopt internet banking.

## HYPOTHESES

Based on the above literature present study constructs the following hypotheses and conceptual model. The proposed model posits that demographic variables (gender, age, education level and type of employment) have a significant impact on the satisfaction with internet banking. The following hypotheses have been tested in this study:

### Hypothesis 1

H<sub>0</sub>: There are no differences between male and female towards the satisfaction with internet banking.

H<sub>a</sub>: There are differences between male and female towards the satisfaction with internet banking.

### Hypothesis 2

H<sub>0</sub>: There are no differences between age groups towards the satisfaction with internet banking.

H<sub>a</sub>: There are differences between age groups towards the satisfaction with internet banking.

### Hypothesis 3

H<sub>0</sub>: There are no differences among the users towards the satisfaction with internet banking in terms of education.

H<sub>a</sub>: There are differences among the users towards the satisfaction with internet banking in terms of education.

### Hypothesis 4

H<sub>0</sub>: There are no differences among the users towards the satisfaction with internet banking attributed to the type of employment.

H<sub>a</sub>: There are differences among the users towards the satisfaction with internet banking attributed to the type of employment.

## RESEARCH DESIGN

Descriptive and analytical cross sectional design has been used to carry out the present research study.

## Population

The population for study is the people of Indore who are having bank account in any of the banks.

## Data Collection Instruments – Questionnaire

Research is based on primary information collected through self administered questionnaire. The questionnaire consists of three parts. Part (1) contains questions on the respondents' age, the type of employment, gender, and educational level. Part (2) of the questionnaire contains nine items which measure the customer satisfaction level with internet banking. Part (3) of the questionnaire contains questions related to problems facing by customer while using internet banking. Questionnaires were administered by e-mail and face-to-face interaction with respondents. Convenience sampling was used to approach citizens who were willing to participate and fill the questionnaire. 70 respondents were selected for collecting information.

**Scale for measurement:** The five point likert scale (5- Strongly Satisfied, 4 –Satisfied, 3-Neutral, 2- Dissatisfied and 1- Strongly Dissatisfied) has been used to measure the satisfaction of the customers.

## Statistical Tools

The Means, Reliability Assessment, t-Test and One Way Analysis of Variance (for comparing Means) were performed to test the above hypotheses. The t-test was carried out for one demographic variable, namely: gender. The level of significance was set at the conventional 0.05. The One Way Analysis of Variance (ANOVA) was used to determine whether the difference in categories for each independent

variable like age, type of employment and educational level are significant or not

**Data Analysis** The demography of respondents has been presented in Table No 1 which shows that out of 70 respondents 68.57% were male and 31.42% were female. Age wise respondents were categorized in four groups and result indicated that 40 % respondents were between 20 to 30 years age group, 21.4 % were between 31 to 40 years, 21 % were between 41 to 50 years and 8.57 % were above 50 years.

**Table No 1: Demographic Background of Respondents**

Demographic	N = 70	Percentage
<b>Gender</b>		
Male	48	68.57
Female	22	31.42
<b>Age</b>		
20-30 years	28	40
31 – 40 years	15	21.43
41 – 50 years	21	30
Above 50 years	6	8.57
<b>Education</b>		
Below graduate	7	10
Graduate	35	50
Post – graduate	23	33.3
Post – graduate and Above	5	6.7
<b>Type of Employment</b>		
Students	12	17.14
Service class	46	65.71
Business class	12	17.14

From educational point of view respondents were categorized in four categories. Out of 70 respondents, 10 % were below graduate, 50 % were graduate, 33.3 % graduate and 6.7 % above graduate like Ph.d and others.

Occupation wise respondents were found to be 17.14% students, 65.71% service class, and 17.14% were business class.

Pilot test was conducted on twenty users of internet banking to ascertain the clarity of the instrument and accordingly, revisions were made to eliminate ambiguities, inadequate wording, and hidden biases.

A Cronbach’s coefficient alpha was computed to assess the reliability of the items used in measuring respondents’ perception towards internet banking.

The Cronbach’s alpha values for customer satisfaction are 0.788. This value suggests that the measurement used in this study is reliable. Table no.-2 presents the reliability results.

**Table No 2: Reliability Analysis**

Dimensions	No. of Items	Cronbach’s Alpha
Customer satisfaction towards internet banking	9	.788

The main objective of the study is to investigate customer perception towards internet banking which was examined in terms of four categorical independent variables namely: Gender, Age, Education and Type of Employment.

**1. Gender wise satisfaction with internet banking:**

Table No 3 represents the satisfaction of customer’s gender wise

**Table 3: t-Test for Customer Satisfaction with internet banking Gender wise**

Gender	No of Respondents	Mean	t-Statistic
Male	48	3.94	0.224*
Female	22	3.90	

\*  $\alpha \geq 0.05$

Table-3 shows that there is no significant difference in the level of satisfaction between male and female. The means for males and females are not significant and the value of t-statistics is 0.224\*. Hence the null hypothesis is accepted and shows the no mean difference between male and female towards the satisfaction level with internet banking.

**2. Age wise satisfaction with internet banking:**

With regard to age, the respondents were classified into four categories and these are: 20-30 years, 31-40 years, 41-50 years and above 50 years. One Way Analysis of Variance was performed to test the second hypothesis. With reference to age, the results show in Table-4.

**Table 4: One way analysis of the Mean Differences in Customer Satisfaction with internet banking Age wise**

Age	No of respondents	Mean	F-statistics
20-30 years	28	3.86	1.52*
31-40 years	15	3.96	
41-50 years	21	4.08	
Above 50 years	6	3.44	

\*  $\alpha \geq 0.05$

Table-4 shows that there are no significant differences in the level of satisfaction attributed to age towards the satisfaction with internet banking. The value of F-statistics is 1.52\* which is greater than 0.05 and hence the null hypothesis is accepted and shows the no differences between age groups towards customer perception with internet banking.

**3. Education wise satisfaction with internet banking**

To test the third hypothesis, the respondents were classified according to their level of education and One Way Analysis of Variance was applied to determine the attainment of specific level of education would influence the customer Satisfaction with internet banking. With reference the education level result has been shown in Table-5.

**Table 5: One way analysis of the Mean Differences in Customer Satisfaction with internet banking Education wise**

Education level	No of respondents	Mean	F-statistics
Below graduate	7	3.62	3.02*
Graduate	35	4.17	
Postgraduate	23	4.56	
Above Postgraduate	5	4.62	

\*  $\alpha \geq 0.05$

From Table-5, it is clear that the education level of the respondents significantly affects the customer satisfaction with internet banking. The Table reveals that respondents with higher educational level perceive greater mean value of the satisfaction level. This might be attributed to the level of maturity of an individual with higher educational attainment. The value of F-statistics is 3.02\* for satisfaction level. These F values are significant at  $\alpha \geq 0.05$ . Hence the null hypothesis is rejected and shows the differences among the users towards the satisfaction level with internet banking in terms of education level.

Education wise satisfaction with internet banking

To test the fourth hypothesis whether the nature of employment of the respondents influence their attitudes towards the satisfaction level with internet banking, One Way Analysis of Variance was carried out and results are shown in Table-6.

**Table 6: One way analysis of the Mean Differences in Customer Satisfaction with internet banking Occupation wise**

Type of employment	No of Respondents	Mean	F-statistics
Student	12	3.73	3.13*
Service class	46	4.09	
Business class	12	3.52	

\* $\alpha \geq 0.05$

With reference to the type of employment, the result show that the significant differences among all categories in satisfaction level with internet banking. In terms of satisfaction level service class respondents have shown higher satisfaction with mean value of 4.09, followed by students and service class. The value of F-statistics is 3.13\* for customer satisfaction with internet banking according to type of employment. These F value is significant at  $\alpha \geq 0.05$ . Hence the null hypothesis is rejected and shows the significant differences among the users towards customer satisfaction with internet banking attributed to the type of employment.

The Overall Customer Satisfaction towards Internet Banking Although the primary objective of this study is to examine customer satisfaction with four variables, it is informative to know the overall level of the satisfaction attached by the respondents to toward internet banking. Table-7 provides the mean values of overall satisfaction.

**Table 7: The Overall Customer Satisfaction towards Internet Banking**

	Mean
Customer satisfaction towards internet banking	4.08

1-2 Unfavorable, 2-3 Less Favorable, 3-4 Moderate Favorable, 4-5 High Favorable

The overall mean value for customer satisfaction towards internet banking is 4.08. The mean value is more than 4 on likert scale, indicating overall high favorable perception towards satisfaction level with internet banking. The results show that respondents are satisfied with the banks in delivering online services.

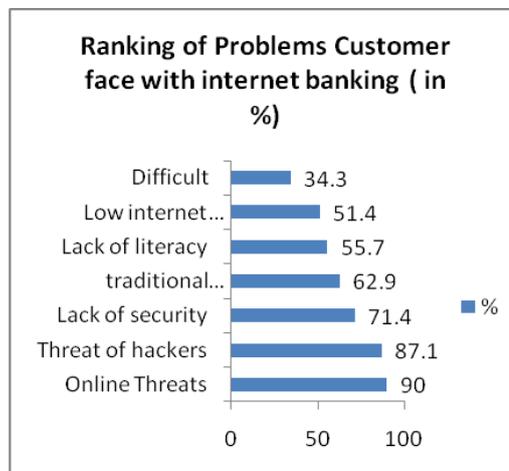
Ranking of Problems Customer face with internet banking: Respondents were asked seven questions were asked related to problems faced by them towards internet banking and

responses were ranked according to their responses. Table no 6 represents the problems which clearly shows that 90 % respondents found online threats as the biggest problems while 87.1 % fears of hacker’s threat. Security was on third rank with 71.4 % followed by traditional system preferred with 62.9 %. Lack of computer literacy was opined as the problems toward internet banking by 55.7 n% and low internet penetration by 51.4%. Only 34.3 % respondents suggested internet banking difficult.

**Table 6: Ranking of Problems Customer face with internet banking**

S. No	problem	Yes	No
1	Online Threats	90	10
2	Threat of hackers	87.1	12.9
3	Lack of security	71.4	28.6
4	traditional system preferred	62.9	37.1
5	Lack of computer literacy	55.7	44.3
6	Low internet penetration	51.4	48.6
7	Difficult	34.3	65.7

**Fig2: Ranking of Problems Customer face with internet banking**



**FINDING, DISCUSSION AND LIMITATIONS**

The objective of this paper is to measure the impact of demographic factors (gender, age, education and type of employment) on customer perception towards internet banking and this level of satisfaction measures by the factors namely: internet banking is less costly, transaction procedures are simple, personal data is protected during the process, saves time and eliminates the risk of carrying cash etc. Results show that there were no significant differences in the level of satisfaction attributed to gender and age towards internet banking but with reference to the education level and type of employment, there were significant differences among all categories in the level of satisfaction with internet banking.

The result of the study indicated that there was no significant difference in the level of satisfaction between male and female and different age categories With reference to education, the findings indicate that those respondents with higher level of education have shown more positive attitudes toward the internet banking compared to less educated respondents. This might be attributed to the level maturity of individual who has a higher educational attainment. Respondents with higher educational credential are more

rational in assessing the benefits of internet banking compared with others who have less educational qualifications. With reference to the type of employment, the result indicated that the significant differences among all categories in satisfaction level with internet banking. In terms of satisfaction level service class respondents have shown higher satisfaction. This might be attributed to the majority of customers are using internet banking are from service class. The overall mean value of the respondents' perceptions towards the internet banking is high favourable. The mean values for the satisfaction level was more than 4 on likert scale, indicating overall high favourable perception towards internet banking. The results show that respondents are satisfied with the banks in delivering online services.

Taking quick glance to the results, one can find that most of the respondents agreed that the internet banking is less costly, transaction procedures are simple, personal data is protected during the process, saves time, eliminates the risk of carrying cash and there is no need to rush bank only during working hour and days. But the respondents are also faced some problems while using internet banking. The major problems

faced by the customer are online scams, threats from hackers, and lack of security measures. The study suggests that the internet banking services can be improved in security measures, increase awareness regarding online scams and educate customers regarding internet services and their utilization.

There are some limitations of this study that should be noted. The questionnaire as an instrument of data collection is not free from subjectivity of respondents and was taken at one point in time. The users' reactions to internet banking change in time and may depend on the conditions surrounding the environment. But in spite of the well-known limitations of this instrument to data collection, the structured questionnaire was, overall, deemed to provide reasonably satisfactory data. In addition, the sample data might not be a good representation of the whole population because the all respondents are from specific geographic area (Indore, a city Madhya Pradesh) and most of the respondents in this sample educated and having experience the internet banking. Therefore, the results produced from this study might be biased and precautions should be taken in considering the generalizing of the findings of this study.

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