

A STUDY ON CUSTOMER SATISFACTION TOWARDS INTERNET BANKING SERVICES OF FEDERAL BANK

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Abstract

The internet brings huge opportunities for banking institutions, providing on-line services is becoming strategic necessity for most of the banks which makes the Internet utilization an important and strategic distribution channel for providing banking services. There has been a considerable growth in the segment of consumers preferring Internet banking due to the increase in computer literacy, the availability of computers and the reduction in the costs of PCs and Internet access. This fact will change the optimal distribution structure for most banks and financial institutes. Internet Banking is a term used to describe banking transactions that are performed via a secured Internet application. Internet Banking transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans. Although internet Banking has been popular among young Internet-savvy people for many years, its popularity is expected to grow rapidly as Internet usage grows internationally and people discover the many advantages that it provides. The present study has been conducted to analyze the internet banking services of Federal bank in general and evaluate the perception and satisfaction of customers towards internet banking in specific. For the purpose of discussion a total of 150 sample customers of Federal Bank, Malappuram has been selected. Data have been collected mainly from primary source with the help of a structured questionnaire. The analysis of the data has been done by employing suitable mathematical and statistical tools like the mean, standard deviation, ANOVA and F test.

Keywords: Internet Banking, Internet Banking Services, customer perception, customer satisfaction.

1. INTRODUCTION

The marvelous kinds of innovation in technology and hard line blend of it with information technology made a paradigm shift in the banking industry. Technology itself created its world in the globe of human beings. Advent of Internet banking happened in early 1990. This beginning of Internet Banking created a phenomenal system, Internet banking. Internet banking is a kind of systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through the Internet. To access a financial institution's internet banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification. The password for internet banking is normally not the same as for telephone banking. Financial institutions now routinely allocate customer numbers (also under various names), whether or not customers intend to access their internet banking facility. Customer numbers are normally not the same as account numbers, because a number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. Customer numbers will

also not be the same as any debit or credit card issued by the financial institution to the customer. To access internet banking, the customer would go to the financial institution's website, and enter the internet banking facility using the customer number and password. Some financial institutions have set up additional security steps for access, but there is no consistency to the approach adopted. The present study is focused on what are the customer's perceptions about internet banking and what are the factors that drive consumers to use internet banking services. Whether consumers have accepted internet banking hereby analyzing the customer satisfaction and how to improve the usage of internet banking services were the focus of research area in this study. The study has been conducted in Federal bank, Malappuram. It's a descriptive research where, 150 bank customers were selected after initial screening.

2. STATEMENT OF THE PROBLEM

Internet banking is the term used for new age banking system. Internet banking is also called as internet banking and it is an outgrowth of PC banking. Internet banking uses the internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages, etc. If without internet banking, it would be no growth of electronic business and financial institutions unable to perform excellent customer service. Therefore, it is importance to make and develop internet banking in banking system. It must be a suitable technology and secure communicative networks and also making use of efficient and flexible integrated software system. Internet banking service allows customers to manage their own accounts from time to time and at any places with minimum cost involved. With the current trend of using smart phone, internet banking through internet has growth tremendously. A lot of people are shifting to go internet banking and are readily accepting the usefulness of this channel. Hence it is imperative to conduct a study of this kind which is expected to be a pioneering on in this field. This study has been conducted to analyze the internet banking services of Federal bank in general and evaluate the perception and satisfaction of customers towards internet banking in specific.

3. OBJECTIVES OF THE PAPER

- ❖ To study the factors that influencing to become a customer of selected sample bank.
- ❖ To study the perception of customers towards usage of internet services of selected sample bank.
- ❖ To study the customer satisfaction on internet banking services provided by the sample bank.

4. HYPOTHESES

- **H₀:** There is no significant difference in the perception of male and female respondents towards internet banking preference.
- **H₀:** There is no significant difference between the types of services used by the internet banking customers.

- **Ho:** There is no significant difference between services chosen by the users.
- **Ho:** The services do not have the same effect on the level of satisfaction

5. METHODOLOGY AND DATABASE

The research methodology adopted for carrying out the study is a descriptive one based on both primary and secondary data obtained through pre tested questionnaires. Purposive sampling method was used for the selection of sample bank and customers. Federal bank, Malappuram is the bank selected for the study as it has more number of bank branches among the private commercial banks in Malappuram. The sample size determined was 150. Surveyed data have been analyzed with the help of statistical tools in SPSS software. The F test, ANOVA and weighted average ranking were the main tools used for analysis.

6. RESULTS AND DISCUSSION

Before conducting analysis on customer satisfaction, it is relevant to examine a brief profile of the respondents.

6.1 Profile of the Respondents

Table: 1 Profile of Internet Banking Users

A) Gender Composition		
Gender	No Of Respondent	Percentage
Male	102	68
Female	48	32
Total	150	100
B) Age Composition		
Age Group	No. Of Respondents	Percentage
18-25	76	50
25-35	49	33
35-45	25	17
Total	150	100
C) Education level		
Education Level	No. Of Respondents	Percentage
Plus Two	9	6
Degree	87	58
PG	52	35
Above PG	2	1
Total	150	100
D) Occupational status		
Occupation	No. Of Respondents	Percentage
Student	38	25
Business/Profession	42	28
Govt. Employee	33	22
Private Employee	27	18
NRI	10	7
Total	150	100
E) Annual average Income		
Income Level(Rs.)	No. Of Respondents	Percentage
Below 25000	42	28
25000-50000	29	19
50000-100000	51	34
100000-150000	18	12
Above 150000	10	7
Total	150	100

Source: Primary data

The above table shows the personal background of respondents where their gender, age group, educational qualification, occupational level, and income level are analysed. It is found that

most of the respondents were male (67%) and as regarding the age of respondents 50% of the respondents are coming under the age group of 20-25 group. It is also found that most of the respondents are educated, 87% of respondents are holding graduation and as in the case of occupational level most of the respondents are business professionals (28%). 28% of the respondents is having income of belowRs.25000 and only 27% of users are having income of above Rs.1,50,000.

6.2 The Reasons behind the Selection of Bank by the Internet Banking Users

The analysis on the reasons for choosing this particular bank for internet banking services is done with the help of percentages and presented using chart.

Table 2: Reasons for the Selection of Bank

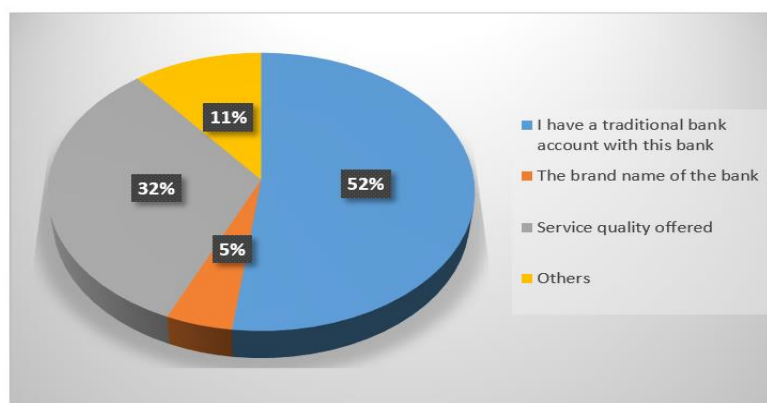
Sl. No	Reasons	No: Of Respondents	Percentage
1	I have a traditional bank account with this bank	78	52
2	The brand name of the bank	7	5
3	Service quality offered	49	32
4	Others	16	11
Total		150	100

Source: Primary data

The table shows that 52% users have chosen federal bank for internet banking services as because they are having traditional bank account with the same bank, 32% user chosen as because of service quality offered by the bank and only 5% chosen the bank due to its brand name.

It is diagrammatically represented below:

CHART 1



6.3 Analysis on the Users Perception towards the Advantages of Internet Banking

The users' perception on the advantages of internet banking is tested by using percentages and presented the result with the help of chart.

Table 3: Advantages of Internet Banking

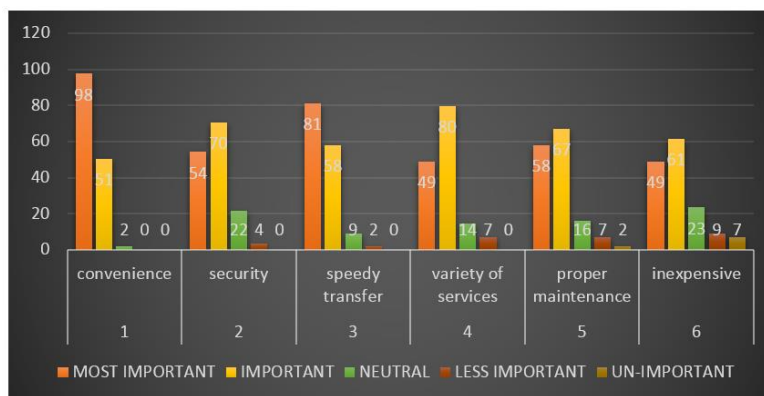
Sl. No	Advantages	Most Important	Important	Neutral	Less Important	Un-Important
1	Convenience	98	51	2	0	0
2	Security	54	70	22	4	0
3	Speedy Transfer	81	58	9	2	0
4	Variety Of Services	49	80	14	7	0
5	Proper Maintenance	58	67	16	7	2
6	Inexpensive	49	61	23	9	7

Source: Primary data

It is clear from the table that the most of the users are choosing internet banking because of its convenience to use. The advantages like security and varieties of services are getting almost equal importance and less importance is getting for proper maintenance and inexpensive.

It is diagrammatically represented below:

CHART 2



6.4 Analysis of Male and Female Perception towards Internet Banking Preference

Analysis on male and female perception on advantages of internet banking is done here with the help of F-test.

Table 4: Advantages of Internet Banking (Male–Female Perception)

Sl. No	Advantages	Male	Female
1	Convenience	26	13
2	Security	15	7
3	Speedy transfer	22	11
4	Variety of services	13	5
5	Proper maintenance	14	7
6	Inexpensive	12	5
Total		102	48

Source: Primary data

F-test

H0: There is no significant difference in the perception of male and female respondents towards internet banking preference.

H1: There is significant difference in the perception of male and female respondents towards internet banking preference.

Note;

$$F = (n_1s_1/n_1-1) / (n_2s_2/n_2-1)$$

$$f = 2.963$$

Table value at 5% level of significance = 4.28

Degree of freedom = (5, 5)

It is observed that the calculated value of F is greater than the table value .hence the null hypothesis is rejected and it is concluded that there is significant difference in the perception of male and female users towards internet banking.

6.5 The Type of Banking Used and the Services Chosen By the Users

Analysis done on the type of banking and services chosen by the users is taken here by using percentages and showed the results in charts.

Table 5: The Type of Banking Used By the Customers

Sl. No	Type	No: Of Respondents	Percentage
1	Personal Banking	90	60
2	Business Transactions	34	23
3	Both	26	17
Total		150	100

Source: Primary data

The above table shows that most of the customers are using internet banking for doing personal banking transactions (60%), 34% are using it for business transactions and only 26% are using for both personal and business transactions.

It is diagrammatically represented below:

Chart 3

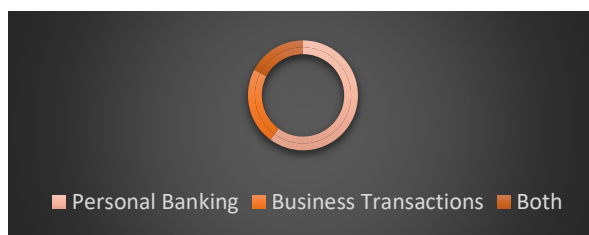


Table 6: Services Chosen by the Users

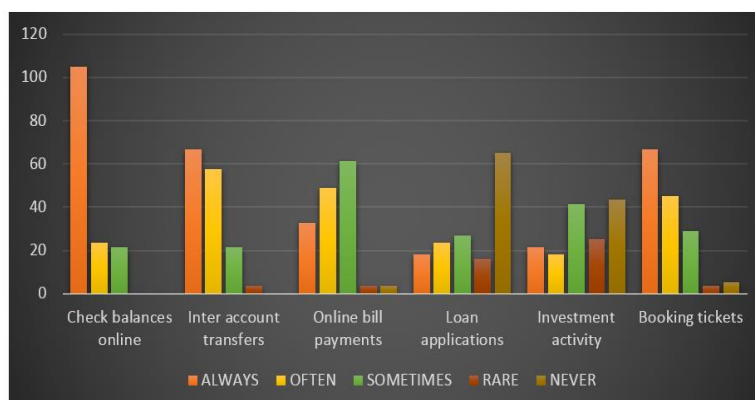
Sl. No	Services	Always	Often	Sometimes	Rare	Never
1	Check Balances Online	105	23	22	0	0
2	Inter Account Transfers	67	58	22	4	0
3	Online Bill Payments	33	49	61	4	4
4	Loan Applications	18	23	27	16	65
5	Investment Activity	22	18	42	25	43
6	Booking Tickets	67	45	29	4	5

Source: Primary data

It is clear from the table that, Most of the customers are using internet banking for checking balances online , inter account transfer , booking tickets and for online bill payments. Only few are using it for loan applications and for investment activity.

It is diagrammatically represented below:

Chart 4



6.6 Analysis Of Variance

A two way analysis of variance is conducted between the type of banking used and the internet banking services chosen by the users.

H₀: there is no significant difference between the types of banking used by the internet banking customers.

H₁: there is significant difference between the types of banking used by the internet banking customers.

H₀: there is no significant difference between services chosen by the users.

H₁: there is significant difference between services chosen by the users.

Table 7: ANOVA

Sl. No	Services	Type Of Banking			Total
		Personal Banking	Business Transactions	Both	
1	Check Balances Online	22	6	6	34
2	Inter Account Transfers	20	10	6	36
3	Online Bill Payments	14	6	3	23
4	Loan Applications	7	6	2	15
5	Investment Activity	7	0	2	9
6	Booking Tickets	20	6	7	33
Total		90	34	26	150

Source: Primary data

Table 8: ANOVA Results

Sources Of Variation	Sum Of Squares	Degree Of Freedom	Mean Squares	F
Between Columns	SSC=405.33	K-1=5	202.67	21.11
Between Rows	SSR=208.67	R-1=2	41.73	4.34
Residual	SSE=96	(K-1)(R-1)=10	9.6	-
Total	SST=710	17		-

Note:

F (between columns) = MSC/MSE

F (between rows) =MSR/MSE

CV:

Between columns=21.11

Between rows=4.34

TV:

> between columns=4.74

< Between rows=19.41

H₀ is being accepted in case of testing the significant difference between the types of banking used by the internet banking customers and **H₀** is rejected in case of testing the significant difference between services chosen by the users. So it is concluded that there is no significant difference between the types of banking used by the internet banking customers but there exist significant difference in choosing services by the users.

6.7 Analysis on the Usage of Internet Banking

The usage of internet banking by the customers is analysed here by using percentages and showed the results in chart.

Table 9: Usage of Internet Banking

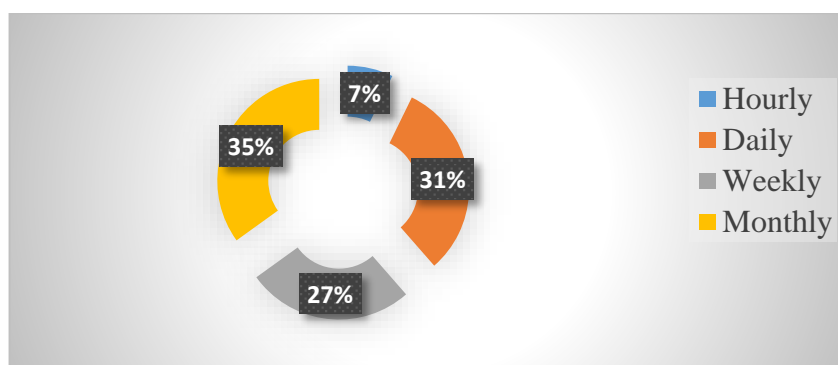
	No: Of Respondents	Percentage
Hourly	11	7
Daily	47	31
Weekly	40	27
Monthly	52	35
TOTAL	150	100

Source: Primary data

The above table shows that 35% customers are using internet banking once in a month and 31% using it daily. Only 7% are using it hourly.

It is diagrammatically represented below:

Chart 5



6.8 Analysis on the Services and Level of Satisfaction of Users of Internet Banking

Analysis of variance (one way) is done here on the services and level of satisfaction of users.

Table 10: Services and Satisfaction Level

Services	Level Of Satisfaction		
	Highly Satisfied	Satisfied	Dissatisfied
Paying bills	80	67	3
Transfer of funds	78	69	3
Online shopping	54	90	6
Account inquiry	78	67	5
Investment activity	45	62	43
Loan applications	30	60	60
Booking railway tickets	74	58	18

Source: Primary data

Analysis of Data

The analysis of data using one way ANOVA provided the following:

H₀: The services do not have the same effect on the level of satisfaction

H₁: The services do have same effect on the level of satisfaction

Table 11: ANOVA Table

Sources Of Variation	Sum Of Squares	Degree Of Freedom	Mean Square
Between Samples	SSC=10329	K-1=2	MSC=5164.33
Within Samples	SSE=6291	N-K=18	MSE=349.47
Total	SST=16620	N=20	-

NOTE:

F=MSC/MSE

CV=14.77

TV=3.55 [At 5% level of significance with degree of freedom (2, 18)]

Since the calculated value (CV) is greater than the table value (TV) we reject the null hypothesis and accept the alternative hypothesis. i.e., the services do have same effect on the level of satisfaction.

7. CONCLUSION AND SUGGESTIONS

This study has been conducted to analyze the internet banking services of Federal bank in general and evaluate the perception and satisfaction of customers towards internet banking in specific. Now-a-days a proper and efficient internet banking system only provides a better growth to the bank. The research found that the internet banking services provided by the bank is well and satisfactory in nature. But the bank could bring more security measures to improve the trust among customers regarding internet banking. And the bank could give proper education regarding internet banking, its advantages and its importance in the present life. That will promote internet banking. Although the scope of this study is not very wide with reference to the demographic variables, but the revelation which this study has made is that the major users of the internet banking are male and most of them are younger generation. Most of the users are of male group and are of satisfied more in paying bills online and making inter account transfers. The bank could focus more on increasing the number of services available at online. The services provided by the bank and the user friendly nature of the internet banking makes the bank perfect in the area of internet banking. The modern world is getting lot of advantage through internet banking and it clearly depends on their perception and satisfaction level of internet banking services provided by the banks. Here the researcher would like to mention the study on the quality of internet banking services, study on challenges faced by the banks in performing internet banking services and also study on internet banking services of different banks as the scope for further research as based on the present study experience.

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