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## **A STUDY ON CUSTOMER'S SATISFACTION TOWARDS E-BANKING**

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### **INTRODUCTION**

Today the customers are more demanding than ever before. Customers want to contact the bank at the time and way of their choice. If the bank cannot provide the information and services to the customers they need, the bank may lose the customers. To meet these demands, banks have opted for computerization. However reliability, maintainability, availability for and easy accessibility to customers and staff as well are the banks requirements of computerization. Here, 'reliability' means that the computerization should do what it is expected to do at any point of time. Decision makers should be able to get the desired and required information quickly. Reliability may be determined by placing the appropriate operational computerized systems for a long period of time with fewer human interventions. 'Computerization is maintainable' implies that all system modules and programs can readily be enhanced, corrected and adopted to new operational development of the bank as and when required. The 'Availability of System' may be defined as to provide insight into whether the systems will be in place and working when it is needed for critical applications or not.

The commercial banks have been drastically changed from the traditional business to innovative banking with an aim to uplift the socioeconomic condition of the masses. According to the

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traditional method of banking operations, the customer has to visit the bank in person to withdraw cash and fund transfer, whereas in the innovative banking system, the customer need not go to the bank. These transactions are carried out on internet and the customer can access the bank at any time from his office or home through PC or LAPTOP eliminating paper based transactions. These four important elements are collectively considered e-banking. They are: transforming core business that is offering services, building flexible and expandable e-banking applications, running scalable, available, safe environment by providing security and leveraging knowledge and information through e-banking.

## **STATEMENT OF THE PROBLEM**

The foregoing discussion reveals that e-banking draws a great attention in the banking industry. This is because e-banking reflects the latest of internet. Several major banks in India are offering e-banking services. Thus e-banking becomes an important part of the Indian banking sector. But at the same time, e-banking is subject to two important problems.

- i) It is preferred by high income group to a large extent and medium income group to a small extent.
- ii) There are several risks (external attacks, legal risk, money laundering risk, a cross – border risk, strategic risk and other risks) in which e-banking services have to be offered.

The e-banking service market is regarded as a competitive product market. It has also seen the introduction of e-banking technology and a shift towards customer service on the basis of competition. It has increased tendency of banks to compete on e-banking services and the use of technology as an enabler and differentiator of banking service provision. As such, banks have become service-oriented and technology-oriented. The technology orientation can be expressed in terms of the e-banking services, the broadness of the e-services offering, the degree to which a banker actively offers the e-banking services to his customers and the number of e-channels through which services are offered.

## **OBJECTIVES OF THE STUDY**

The following are the objectives of the study:

- i) To study the profile of e-banking services ,
- ii) To study the opinion of the sample customers with respect to electronic banking products and services.
- iii) To study the opinion of the sample customers with respect of different electronic channels distribution.
- iv) To study the opinion of the sample respondents regarding the level of electronic banking services and the level of customer satisfaction with reference to different electronic banking services.
- v) To study the opinion of the sample respondents regarding the usage of electronic banking services and the electronic services offered by the selected banks.

## **SCOPE OF THE STUDY**

The study is an empirical study, it is undertaken to highlight the opinion of the respondents regarding electronic banking products and services, taking into account different types of banks. Though the study focuses on the opinion of the respondents regarding different electronic banking products and services, it takes into account different electronic banking services for the purpose of the study. The different electronic banking services influence the financial needs of the electronic banking customers, and so the study is projected in the context of different e-banking services. Besides the level of electronic banking services and the level of customer satisfaction have considered to bring out the different facets of electronic banking on the basis of the opinion of the sample customers. Thus, the study has been undertaken from the point of view of the sample bank customers in Coimbatore District.

## **HYPOTHESES**

The following are the hypotheses formulated for the purpose of the study

- There is no significant difference in the opinion of the respondents about the credit card services and the debit card services
- There is no significant difference in the opinion of the respondents about the credit card services and the mobile banking services.
- There is no significant difference in the opinion of the respondents about the credit card services and the internet banking services.
- There is no significant difference in the opinion of the respondents about electronic clearing services and the electronic fund transfer services.
- There is no significant difference in the opinion of the respondents about the electronic funds transfer services and the real time gross settlement services.

## **OPERATIONAL DEFINITIONS**

It is important to explain the various terms and terminology of the concepts related to the study. The following terms have been used in this study.

### **Prime Bank**

The bank in which the customers perform their transactions frequently and more number of times is known as prime bank. The customers are interested in maintaining their accounts with the particular banks where they perform more number of major transactions than any other banks. If a customer has more than one bank account with different banks but uses one main account for his important transactions, it is known as prime bank.

## **Electronic Channel**

E-Channel is the system or method by which the banking services are provided / delivered to the customers using electronic devices. It is the technical channel through which banking and financial transactions are conducted electronically. For example, ATM is an e-channel; the internet is an e-channel. E-channel permits one to one interactions with the customers.

## **IT Based Services**

IT based services are those services delivered over electronic networks. They include application services, engineering services and business process services. In banking, they may include customer interactions, support services, SMS services, status report, collection details, deduction details and the like.

## **Affiliated Debit Card**

The banker issues two debit cards with same identification number for a single account. The customer can use the card anywhere in two different places. The affiliated debit card is very useful for the students staying in the hostel. One card may be used by the student and the other card may be used by his father or family members.

## **Electronic Ticket**

An electronic ticket is a digital ticket. It may be issued by an airline, a railway public transport or by cinema theaters. In order to purchase a ticket from home, the one has to use the internet. For this purpose, the purchaser makes the payment through the bank account. The ticket thus purchased / issued is known as e-ticket.

## **Online Shopping**

The act of purchasing products or services over the internet is called online shopping the internet provides access to a lot of information about a particular product, which can be looked at, evaluated and comparison-priced at any given time.

## **Online Bill Payment**

Online bill payment is a way to utilize the internet to pay bills. For example the consumer of electricity may pay the electricity bill online. The consumer can make use of electricity board

website with the bank account to make payment online. For this the account holder cannot made direct visit to the electricity board office or bank. The amount easily transferred from the customer account to the electricity board account is known as online bill payment.

### **Value Added Services**

Value-Added Services (VAS) refers to advanced and/or additional services a banker offers to possibly increase bank's revenues, or make offering more competitive. VAS type services include e-mail, internet access, text messaging, enhanced TV, video on demand, T-commerce, tele-shopping, communal gaming, TV Mosaics, interactive advertising and subscription gaming.

## **1.7 METHODOLOGY**

The present study is an empirical one based on the survey method. As the study is to generate the opinion of sample customers on the level of usage of services and their satisfaction with the distribution of electronic banking services and also to achieve certain new insights into it, it was decided to be based on primary data. Though the study is empirical in nature, it has been supported by secondary data. To gain familiarity with the phenomena, secondary data were collected from the annual reports of the Reserve Bank of India, books, journals, magazines and related web sites.

The primary data were collected with the help of an interview schedule. The schedule (Vide Appendix A) was used to mobilize the opinion of the sample customers regarding electronic banking products and services in Madurai District. Thus, the study has been constructed with help of both primary and secondary data.

### **SAMPLING DESIGN**

This study was intended to analyse the perspective of the sample customers of the selected banks in the distribution of e-banking services. The study has been projected from the point of view of the opinions of the sample customers.. Thus to represent SBI group, nationalized bank, old private sector bank and newly generated private sector bank, the State Bank of India (SBI),

the Canada Bank, the Tamilnadu Mercantile Bank and the ICICI Bank were selected. As the Madurai District, the study area, covers both rural and urban areas, the area of location of ATMs has been taken as the basis for sampling. The branches of the selected banks are spread in the ratio of 3:7.

## **ORIGIN AND GROWTH OF E-BANKING**

Banking originated in India during the first decade of the eighteenth century. The first bank which came into existence in 1786 was “The General Bank of India” later “Bank of Hindustan” followed it both of which are now dysfunctional. In June 1806, “The Bank of Calcutta” came into existence which is now known as “State Bank of India”. It is the oldest bank in existence. The first Indian bank was the “Alahabad Bank” set up in 1865. The private banks were established like “Punjab National Bank” in Lahore in 1895, “Bank of India” at Mumbai in 1906. The Indian Banking Sector came to be formally regulated by the Reserve Bank of India (RBI) from 1935. After India’s independence in 1947, the RBI was nationalized and given broader powers.

## **E-BANKING SERVICES**

The process of computerization of bank branches was the starting point of e-banking services. Computerization means the installation of computers and the required softwares to automate the functions of bank transactions. In the case of electronic banking, the customers can avail themselves of certain financial services without the assistance of the bank employees and with the help of technologies. As stated earlier, the e-banking services include: Automatic Teller Machine, Credit Card, Debit Card, Internet Banking, Mobile Banking, Electronic Clearing Service, National Electronic Funds Transfer, Real Time Gross Settlement and the like.

### **Automatic Teller Machine (ATM)**

The first Automated Teller Machine (ATM) was introduced in the year 1967 by Barclays Bank in Enfield Town in North London. Hong Kong and Shanghai Banking Corporation installed the

first ATM in the year 1987 at Kolkata in India. Indian Bank was the first public sector bank to install an ATM in India. These were all standalone ATMs.

### **Credit Card**

Credit Cards are an alternative to cash which allow the customers to buy goods and services on credit. The payment is to be made to the bank before a prescribed period of time. The credit limit is at the discretion of the bank which issues the card. Basically the card comprises of different facilities depending on the annual income of the card holder. Plastic money has played an important role in promoting retail banking.

### **Debit Card**

The first National Bank of Seattle issued the first debit card to the business executives with large savings accounts in 1978. The bank issued debit card to those customers who had a long history with the bank and were in good standing. In 1984, Landmark implemented the first nationwide debiting system built on the Credit Card infrastructure and ATM networks already in place. By 1998, the debit cards outnumbered cheque usage around the world. Its preference over cheque continuous to grow every year, the word debit means subtract and as the name suggests, your account each time you use it.

### **Electronic Clearing Services (ECS)**

The Reserve Bank of India introduced the electronic clearing services in India in the mid-1990s, which is identified as the Automated Clearing House (ACH) system. The electronic clearing services are performed in two methods, one of which is credit clearing and the other is debit clearing. While the credit clearing operates on the principle of “Single debit – Multiple credits” the debit clearing operates on the principle of “Single credit - Multiple debits”.

### **ISSUES AND CHALLENGES IN E-BANKING**

The banking sector faces the following challenges arising out of e-banking. Large investments: The banks have to invest heavily in technology and with people without appropriate technical skills; they cannot market their new financial products and services.

Operational risks: Processing of information through IT is the cores of the e-banking procedures have to be rationalized to suit the new technology. Excessive reliance on technology often may explore to grater operational risks.

Threat from hackers: Safeguard in the system and software from the hackers through encryption (the process of putting message or information into code) is a major challenge in the adoption of e-banking.

## **RISKS IN E-BANKING**

There are many problems which page a big threat to the online banking or internet banking. The most important one pertains to maintaining effective cyber security for banking and financial sector of India. Similarly, there is no effective internet banking laws or online banking laws in India. In the absence of stringent laws in this regard, online banking risks in India are increasing. However, of all the shortcomings, nothing can match the absence of encryption laws and standards in India. In the absence of proper encryption norms in India, e- banking in India is really insecure.

## **SUMMARY OF FINDINGS**

- Out of 450 respondents, 256 (56.89%) fall under the age group 20-40, while 109 (24.22%) are above 40 years and 85 (18.89%) are below 20 years.
- Out of 450 respondents, 313 (69.56%) are males, while 137 (30.44%) are females.
- Out of 450 respondents, 272 (60.44%) are married, while 178 (39.56) are unmarried.
- Out of 450 respondents, 207 (46.00%) have got college education, 100 (22.22%) school education, followed by 78 (17.34%) who have professional education and 65 (14.44%) technical education.
- Out of 450 respondents, 177 (39.33%) are the businessmen, followed by the professionals

who account for 125 (27.78%), 74 (16.44%) are the government employees and the housewives are 60 (13.33%). From this, it is concluded that the businessmen and the professionals are more inclined to avail the banking services.

- On the basis of multiple responses out of the 247 responses, make it clear that 107 (43.32%) avail mobile banking services at the SBI, 67 (27.13%) at the Canara bank, 46 (18.62%) at the ICICI bank and 27 (10.93%) at the TMB. It is concluded that 70.45% of the respondents use the services of the public sector banks while 29.55% go in for the private sector banks.

- On the basis of multiple responses out of the 258 responses, 103 (39.92%) avail electronic funds transfer services at the SBI, 71 (27.52%) at the Canara bank, 54 (20.93%) at the ICICI bank and 30 (11.63%) at the TMB. It is concluded that 67.44% of the respondents use the services of the public sector banks but 32.56% use the services of the private sector banks.

## **SUGGESTIONS**

It is a fact that the e-banking services are offered through electronic devices. Though the bank customers avail themselves of these services they have limited knowledge of the various functional aspects of these services. The people generally know only the basic functional aspects of the services. This may be considered a hurdle in the financial inclusion process at various levels.

So it is suggested that the bank officials may demonstrate the various operational and functional aspects of different e-banking services by demonstrating the same at a common place or at the bank premises periodically. It may be intended to existing customers or prospective customers and enhance the awareness of the people / customers towards e-banking services effectively. This will be doubly beneficial. This will have two aspects; it will widen the scope of e-banking services and it will pave way for financial inclusion.

## **CONCLUSION**

Electronic banking services increase the customer's active involvement in the banking system.

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The banker must create more awareness about the different electronic banking services and the method of usage of services. The other services like the token issue machine, the token number and the counter number display machine, the challan form filling machine can add to the value to the banker's electronic services. The banker may enlighten its regular customers by conducting demo-classes of the new e-devices at periodical intervals. As the technological changes can cause the banking sectors reforms the banker should be ready to update and extend the innovative services. Thus, the world banking has changed the entire scenario with an assurance that customer satisfaction is the driving force for the innovations in electronic services

If the present study helps the researchers in any way to undertake the studies of a similar nature in other areas, the researcher will feel happy that his study has helped the future researchers and he will have a sense of satisfaction that he has undertaken a useful study.

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