A Study on Performance of Private Sector Banks Towards Online Banking Service With Special Reference to Tiruchirappalli District

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Abstract— ICT came into picture in the year 1980 in banking industry through the Rangarajan Committee recommendations. The Internet is a relatively new channel for delivering banking services. With the rapid growth of other types of electronic services since mid-1990, banks renewed their interest in electronic modes of delivery using the Internet. Since its introduction, internet banking gain much importance and priority as well as highlight special attention towards the customers and employees that increases the usage of these services. Information technology (IT) plays an important role in the banking sector as it would not only ensure smooth passage of interrelated transactions over the electric medium but will also facilitate complex financial product innovation and product development. Hence, the study has been made to analyze with an objective of, to determine the factor influence customers to adopt online banking and the level customer satisfaction in Tiruchirappalli District. The data were collected with a sample size of 295 respondents actually using online banking service of private sector banks. Further, the collected data were processed through SPSS. The results revealed that adoption intention is the most influencing factor influence customers to adopt online banking service and the customers are highly satisfied with the internet based transactions provided by the banker.

Keywords— Online Banking, Technology, Satisfaction and Adoption

EVOLUTION OF E-BANKING:

There have been significant developments in the e-financial services sector in the past 30 years. According to Devlin (1995), until the early 1970s functional demarcation was predominant with many regulatory restrictions imposed. As a result there was heavy reliance on traditional branch based delivery of financial services and little pressure for change. This changed gradually with deregulation of the industry during 1980s and 1990s, whilst during this time, the increasingly important role of information and communication technologies brought stiffer competition and pressure for a faster pace of change.

The bursting of the Internet bubble in early 2001 caused speculation that the opportunities for Internet services firms had vanished. The "dot.com" companies and Internet players struggled for survival during that time but e-commerce recovered from that shock quickly and most of its branches including e-banking have been steadily, and in some cases dramatically, growing in most parts of the world. The spread of online banking has coincided with the spread of high-speed broadband connections and the increasing maturation of the Internet user population. Another factor in e-banking growth is that banks have discovered the benefits of e-banking and have become keener to offer it as an option to customers.

E-BANKING IN INDIA

In India e-banking is of fairly recent origin. Only in the early 1990s there has been start of non-branch banking services. The credit of launching internet banking in India goes to ICICI Bank, Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

A high level Committee under chairmanship of Dr. K.C. Chakrabarty and members from IIT, IIM, IDRBT, Banks and the Reserve Bank prepared the "IT Vision Document- 2011-17", for the Reserve Bank and banks which provide an indicative road map for enhanced usage of IT in the banking sector. To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. The competition has been especially tough for the public sector banks (Roshan Lal et al. 2012).

ONLINE BANKING – MEANING

Online banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. The following terms all refer to one form or another of online banking: personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone bank. Internet banking allows customers of a financial institution to conduct financial transactions on a secured website operated by the

institution, which can be a retail bank, virtual bank, credit union or building society.

THE EIGHT CORE FUNCTIONS OF ONLINE BANKING:

From the consumer's perspective, banking is pretty simple. The eight core functions are:

- **See**: View balances, checks written, purchases made, images, and so on
- **Sort**: Interact with the data by rearranging, categorizing, tagging and so on
- **Save**: Store all data, images, and reports for future reference
- **Share**: Allow other authorized users to view/receive selected info
- **Send**: Move money to pay bills, transfer funds, pay down loans and so on
- **Select**: Choose account options, change service plans, modify settings, and so on
- **Service**: Investigate and fix issues
- **Secure**: Batten down the hatches for all financial matters

REVIEW OF LITERATURE

Mathew Joseph et al. (1999) examined the influence of internet on the delivery of banking services. This research investigated the role that technology played in Australian banking and its impact on the delivery of perceived service quality. A sample of 440 electronic banking customers was taken and 300 useable questionnaires were analysed. They found six primary dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization.

Sonal Chawla (2004) conducted a study on adoption and implementation of internet banking in India through the case study of two banks. For this the researcher took two leading banks i.e. PNB (public) and HDFC (private) sector banks. The primary objectives of the study was to know the role of Information technology in this technology change and to compares the adoption and implementation of Internet banking in India through the case study of two banks The researcher concluded that the future of modern banking was integrated, as people would have less time for banking. People want to process more transactions on the internet. But unfortunately a very small percentage of the customers are using internet banking in India.

Michal Polasik & Tomasz Piotr Wisniewski (2009) empirically analyzed the factors underlying the decision to adopt online banking in Poland. The sample used in this study was based on 3,519 interactive questionnaires completed by Polish internet users. The dichotomous decision of whether to adopt internet banking services was linked, via Binomial Logistic Regression, to numerous explanatory variables. One of the dominant relationships that had been observed in this study was the link between the decision to open an online account and the perceived level of security of internet transactions. Experience with the medium of internet and certain demographic variables also proved to be robust predictors of the adoption status. These findings implied that financial institutions could encourage customers to use this cost-effective distribution channels through carefully-planned actions.

Reza Gharoie Ahangar (2011) conducted an empirical study on Iranian Banking Industry on determinant of customer's preference and satisfaction of internet banking. In this study the researcher investigated the research with five service quality dimensions such as responsiveness, reliability, efficiency, privacy of information and easiness to use. A sample of 300 respondents who actually use internet banking was selected for the study. Statistical tools such as percentage, frequencies, Anova, F test were used for analysis of data. The quality performance of all the five dimensions was shown to have a strong impact on customer satisfaction.

PRIVATE SECTOR BANKS:

Private Sector Banks are those Banks where the management is controlled by Private individuals and Government does not have any say in the management of these banks. Maximising profit is the basic motto of private sector banks. These banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering a healthy competition by way of offering high degree of professional management, providing healthy competition, influencing foreign investment, meeting out financial requirements from international capital markets and always trying to invent new product avenues.

STATEMENT OF THE PROBLEM:

This study aims at examining the performance of private sector banks towards online banking services in the study area. The performance is measured by analyzing factors such as awareness of service, security, knowledge and quality of internet connection, cost and time saving, keenness to change, perceived usefulness, perceived ease of use, perceived enjoyment, trust, customer attitude towards using and adoption intention. On customer point of view some of the factors may have most importance and some of them may have least importance and while some factors also help to enhance customer satisfaction. Hence, the purpose of this research is to investigate the factor that influence online banking services in private sector banks.

OBJECTIVES OF THE STUDY:

This study aims to investigate the following objectives:

1. To identify the factors that influences the customer of private sector banks to adopt online banking.
2. To determine the relationship between demographic factors and usage of online banking services in the sample units in Tiruchirappalli.
3. To determine the customer satisfaction towards online banking services of private sector banks.

SAMPLING METHOD AND SAMPLING SIZE:

Since the population is infinite, convenience method of sampling was used in order to collect the data from the respondents. The data were collected from 295 respondents using online banking services of private sector banks in Tiruchirappalli District. The banks selected for this study were Karur Vysya Bank, ICICI, Axis Bank, HDFC and City Union Bank.

RESEARCH TOOL

The Primary data collected were processed through SPSS package for analysis. A regression analysis made to determine the level of customer satisfaction and chi-square technique was applied to determine the relationship between demographic factors and usage of online banking services.

TABLE NO.1: DEMOGRAPHIC BACKGROUND OF THE RESPONDENTS

Demography factors	Categories	No. of Respondents (n = 295)	Percentage
GENDER	Male	167	56.6
	Female	128	43.4
AGE	Below 30 years	106	35.9
	31 – 40 years	91	30.8
	41 – 50 years	71	24.1
	Above 50 years	27	9.2
MARITAL STATUS	Married	177	60.0
	Unmarried	118	40.0
EDUCATION	Up to HSC	28	9.5
	Graduate	75	25.4
	Post Graduate	137	46.4
	Professional	55	18.6
OCCUPATION	Government Employees	30	10.2
	Private Employee	171	58.0
	Self-Employed	60	20.3
	Professional	34	11.5
ANNUAL INCOME	Below 1,00,000	37	12.5
	1,00,000 – 2,00,000	73	24.7
	2,00,000 – 3,00,000	50	16.9
	3,00,000 – 4,00,000	43	14.6
	Above 4,00,000	92	31.2
NAME OF BANKS	Karur Vysya Bank	88	29.8
	AXIS Bank	48	16.3
	ICICI	67	22.7
	HDFC	53	18.0
	City Union Bank	39	13.2
TYPE OF ACCOUNTS	Saving Bank Account	250	84.7
	Current Account	41	13.9
	Others	4	1.4
PERIOD OF USAGE	Below 1 year	49	16.6
	1-2 years	59	20.0
	2-3 years	85	28.8
	Above 3 years	102	34.6
FREQUENCY OF USAGE	Occasionally	67	22.7
	Frequently	151	51.2
	Often	46	15.6
	Very often	31	10.5
PLACE OF RESIDENCE	Urban	160	54.2
	Rural	135	45.8

Among the respondents from private sector banks 60% of them were married in the selected samples, 57% were males, 54% living in urban areas and 46% were completed their post graduation degree. 46% were employed in a private concern, 36% fell below 30 years of age and 31% of the respondents annual income was above Rs. 4,00,000. Again, 85% of them had Savings Bank account, 51% were indulged frequently in online banking activities and 35% of them had been using online banking for the period of above 3 years.

DETERMINANTS OF CUSTOMER SATISFACTION TOWARDS ONLINE BANKING

In order to assess the influence of online banking towards customer satisfaction in connection with Private Sector Banks, multiple regression analysis has been used.

Independent Variable : Awareness of Service, Security, Cost & Time, Knowledge & Quality of Internet Connection, Self- efficacy, Keenness to change, Perceived usefulness, Perceived ease of use, Perceived enjoyment, Trust, Attitude towards using and Adoption intention.

Dependent Variable: Customer Satisfaction

Table No.2: REGRESSION ANALYSIS FOR PRIVATE SECTOR BANKS

Factors	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	B	Std. Error
(Constant)	3.054	1.531		1.995	.047
Awareness of service	.061	.087	.042	.702	.483
Security	-.019	.057	-.021	-.325	.745
Cost & Time saving	.321	.072	.253	4.451	.000
Knowledge & quality of internet Connection	.062	.061	.060	1.025	.306
Self-efficacy	.012	.085	.007	.138	.890
Keenness to change	-.094	.119	-.042	-.793	.429
Perceived usefulness	.031	.062	.032	.502	.616
Perceived ease of use	-.118	.070	-.102	-1.675	.095
Perceived Enjoyment	-.146	.064	-.121	-2.275	.024
Trust	.597	.091	.353	6.540	.000
Attitude towards using IBS	.005	.093	.003	.052	.958
Adoption Intention	.640	.088	.404	7.302	.000

Multiple R = 0.679   F-Value = 20.095   d.f. (12,282)   p< 0.01 R^2=0 .461

The result reveals that the calculated significance of regression coefficient (0.679) is valid at 1% level. The multiple R found to be 0.461 which reveals that exist a relationship of 46.1% between the various factors influencing to adopt internet banking

and its customer satisfaction. However the R^2 was only 0.438 which confirms the customer satisfaction varies only by 43.8%. Finally the F test shows that the results are significant at 1% level.

Thus under the beta values of independent variable adoption intention which has the highest beta coefficient (β = 0.640, t = 7.302 and p = .000) is the most significant independent variable followed by trust (β = 0.579, t=6.540 and p = .000) and cost and time (β = 0.321, t= 4.451 and p=.000) respectively. So, these are the major factors that strongly lead to customer satisfaction of the online customers.

Table No.3: Association between Age and Online Banking factors

Null Hypothesis: There is no significant association between Age and various online banking factors.

Factors	Age	Response (n=295)			χ^2 value	d.f.	p value
		Low	Moderate	High			
Awareness of services	Below 30	0	10	96	27.686	6	Significant at 1% level
	31 – 40 years	0	0	91			
	41 – 50 years	3	13	55			
	Above 50 years	0	2	25			
Security	Below 30	1	25	80	5.918	6	Not Significant
	31 – 40 years	0	17	74			
	41 – 50 years	0	23	48			
	Above 50 years	0	7	20			
Cost & Time saving	Below 30	3	17	86	21.287	6	Significant at 1% level
	31 – 40 years	1	19	71			
	41 – 50 years	1	22	48			
	Above 50 years	0	15	12			
Knowledge & Quality of Internet	Below 30	1	37	68	13.862	6	Significant at 5% level
	31 – 40 years	7	17	67			
	41 – 50 years	5	16	50			
	Above 50 years	0	9	18			
Self Efficacy	Below 30	12	54	40	14.070	6	Significant at 5% level
	31 – 40 years	7	48	36			
	41 – 50 years	15	42	14			
	Above 50 years	3	18	6			
Keenness to change	Below 30	1	57	48	14.269	6	Significant at 5% level
	31 – 40 years	6	49	36			
	41 – 50 years	0	48	23			
	Above 50 years	2	18	7			
Perceived usefulness	Below 30	2	39	65	6.439	6	Not Significant
	31 – 40 years	1	26	64			
	41 – 50 years	2	29	40			
	Above 50 years	0	6	21			
Perceived ease of use	Below 30	0	27	79	4.410	6	Not Significant
	31 – 40 years	1	17	73			
	41 – 50 years	0	19	52			
	Above 50 years	0	8	19			
Perceived Enjoyment	Below 30	0	19	87	8.670	6	Not Significant
	31 – 40 years	3	10	78			
	41 – 50 years	4	11	56			
	Above 50 years	0	5	22			
Trust	Below 30	1	29	76	7.713	6	Not Significant
	31 – 40 years	3	18	70			
	41 – 50 years	1	26	44			
	Above 50 years	0	7	20			
Attitude towards using IBS	Below 30	1	29	76	23.601	6	Significant at 1% level
	31 – 40 years	1	8	82			
	41 – 50 years	6	13	52			
	Above 50 years	1	2	24			
Adoption intention	Below 30	2	32	72	19.976	6	Significant at 1% level
	31 – 40 years	2	8	81			
	41 – 50 years	3	18	50			
	Above 50 years	0	2	25			

The above table shows the association between Age and various online banking factors it is notable that the factors like security, perceived usefulness, Perceived ease of use, Perceived Enjoyment and Trust and the age are not associated.

On the other hand the association between various online banking factors such as Awareness of services, Cost & Time saving, Knowledge & Quality of Internet, Self efficacy, Keenness to change, Attitude towards using IBS and Adoption intention and the age of respondents were associated.

It is inferred from the above table that age was influencing the online banking to a smaller extent.

Table No. 4: Anova showing the difference in online banking due to Occupation

Null Hypothesis: There is no significant difference between in online banking activities due to the occupation of the respondents.

Factors		Sum of Squares	Df	Mean Square	F	Sig.	Result
Awareness of service	Between Groups	49.081	3	16.360	3.228	.023	Significant at 5% level
	Within Groups	1474.797	291	5.068			
	Total	1523.878	294				
Security	Between Groups	57.359	3	19.120	1.372	.252	Not Significant
	Within Groups	4056.356	291	13.939			
	Total	4113.715	294				
Cost & Time saving	Between Groups	87.809	3	29.270	4.521	.004	Significant at 1% level
	Within Groups	1884.069	291	6.474			
	Total	1971.878	294				
Knowledge & quality of internet connection	Between Groups	95.556	3	31.852	3.335	.020	Significant at 5% level
	Within Groups	2779.651	291	9.552			
	Total	2875.207	294				
Self-efficacy	Between Groups	4.078	3	1.359	.390	.761	Not Significant
	Within Groups	1015.109	291	3.488			
	Total	1019.186	294				
Keenness to change	Between Groups	31.566	3	10.522	5.226	.002	Significant at 1% level
	Within Groups	585.946	291	2.014			
	Total	617.512	294				
Perceived usefulness	Between Groups	88.081	3	29.360	2.536	.057	Not Significant
	Within Groups	3369.661	291	11.580			
	Total	3457.742	294				
Perceived ease of use	Between Groups	37.907	3	12.636	1.592	.191	Not Significant
	Within Groups	2309.402	291	7.936			
	Total	2347.308	294				
Perceived Enjoyment	Between Groups	16.650	3	5.550	.761	.516	Not Significant
	Within Groups	2120.998	291	7.289			
	Total	2137.647	294				
Trust	Between Groups	26.698	3	8.899	2.403	.068	Not Significant
	Within Groups	1077.810	291	3.704			
	Total	1104.508	294				
Attitude towards using IBS	Between Groups	4.377	3	1.459	.361	.781	Not Significant
	Within Groups	1175.338	291	4.039			
	Total	1179.715	294				
Adoption Intention	Between Groups	48.046	3	16.015	3.856	.010	Significant at 1% level
	Within Groups	1208.714	291	4.154			
	Total	1256.759	294				

The results of the above table depicts that the value of p for the factors awareness of service, cost and time saving, knowledge and quality of internet connection, keenness to change and adoption intention is lesser than the table value. Hence, the null hypothesis is rejected. The results reflect that occupation brings difference between the respondents to adopt internet banking service.

It is concluded that the occupation of the respondents would bring some differences in various online banking factors.
FINDINGS:

Efforts were made to compute what online banking factors contribute towards the customer satisfaction. It is learnt from the analysis that, among the twelve online banking factors only four factors contribute a satisfaction of 46% in the private sector banks. The contribution by adoption intention was the greatest as it contributed 64% to customer satisfaction for one unit of the above factor. The second most important factor was trust created by bank websites and its promises which contributed almost 60%, whereas the time and cost factor brought a variation of 32% in the satisfaction level.

It is notable that the perceived enjoyment factor contributed negatively to the customer satisfaction. It can be concluded that the customer satisfaction in private sector banks on online banking depends largely on customer centric approach of the banks websites and its usage.

CONCLUSION

"Earning of profit cannot be the objective of banking activity any more than eating is the objective of Living". Banking landscape is changing very fast. Service to customer has further improved in all areas. Technology develops faster than the regulatory agencies. Since the banking industry is a service industry the bankers are expected to protect their units in all respects through leadership qualities, integrity, knowledge, skill etc. Many new players with different muscle powers will enter the market. The Reserve Bank in its bid to move towards the best international banking practices will further sharpen the prudential norms and strengthen its supervisor mechanism.

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