

## Internet-Banking: A Way of Life

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### Abstract

*The banking industry has emerged as an integral sub-system of the financial sector which caters to banking needs of both public and private sector. Infact, banking is an institution that deals in money and its substitute and provides other financial services. Banking has modernized itself in a big way in the recent past by way of introducing vital reforms, an E-banking in its fold. E-banking not only offers supply and deliver banking products and services through various electronic delivery channels via electronic devices but also provide for efficient services. The penetration of internet in the E-banking has further taken the banking services to the new heights as the electronic devices get connected globally to share the information such as text, graphics, voice video and computer programme. Internet banking or web banking allows the banking transactions that are performed by a secured internet application. Through internet banking services, one can pay bills, transfer funds and check transactions any time of the day 24x7. Internet banking has caught the imagination of the banking industry and the people world over. In the present paper the efforts has been made to study the satisfaction level of the customers with the internet banking in the public sector bank in India.*

**Keywords:** Internet banking etc.

### Introduction

Finance function is the backbone of business transactions. Business transactions are undergoing day-by-day technological change. So, traditional form of Finance Function is not enough to cope-up with pace of changing technological scenario. The comprehensiveness form of this technological change in finance function is E-banking. E-banking is of recent origin, especially in India, it is still in its adolescent age.

The rapid spread of technology has made the Internet the best channel to provide banking services and products to customers. Banks now consider the Internet variables as part of their strategic plan. It will revolutionize the way banks operate, deliver and compete, especially because the competitive advantages of traditional branch networks are eroding rapidly. The Internet poses a very serious threat both to the customer base of the consumer's traditional banking oligopoly and to its profits<sup>1</sup>.

Customers now demand new levels of convenience and flexibility in addition to powerful and easy to use financial management tools, products and services that traditional retail banking cannot offer. Internet banking has allowed banks and financial institutions to provide these services by exploiting an extensive public network infrastructure<sup>2</sup>.

Internet-Banking is a relatively new concept used to define banks that do not have a physical location such as a branch, but offer services only through the Internet and ATMs to deposit or withdraw funds<sup>3</sup>. Internet banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking functions.

Online banking differs in many ways from traditional branch banking. In internet banking system the bank has a centralized database that is web-enabled. All the services that the bank has permitted on the internet are displayed in menu. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking.

In online banking, customers have direct access to a bank's information system from home, work, school, or any other place where a network connection is available. In this new situation, the customer is defined as an end-user of the bank's data processing system. In end-user computing, the user's personal computer plays a pivotal role<sup>3</sup>.

E-banking provides enormous benefits to consumers in terms of ease and cost of transactions, either through Internet, telephone or other electronic delivery.

From a bank's perspective, using the Internet is more efficient than using other distribution mediums because banks are looking for an increased customer base. People are becoming more comfortable with banking online and they believe that it will become necessary for all community banks to offer online-banking services. The benefits of e-banking include: (1) competitive advantage, (2) customer retention and attraction, (3) increased revenues and (4) reduced costs<sup>4</sup>.

### Internet-Banking

Banking is an industry that is based on intensive information, and transactions in banking can normally be consummated without any physical exchange. These ingredients have made banking a perfect passenger for the internet vehicle. However, in the initial stages Internet banking had to go through hard times and failures<sup>5</sup>.

### Concept of Internet-Banking

Internet was born in 1969 and Vinton Cerf is known as the father of Internet. Internet Banking means a kind of self help financial services provided by the bank for its clients by the medium of internet, including account information inquiry, account transfers and online payments etc. it is the practice of making bank transactions or paying bill via the internet. Internet banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. Online banking allows communicating online and now one can even assess account information, transaction information, and instant fund transfer, cheques collection across cities and pay bills with the click of a mouse<sup>6</sup>.

### Types of Internet Banking

There are three types of Internet banking that are being employed in the market place:

*Information:* This is the most basic level of Internet banking. The bank has marketing information about its products and services on a stand-alone server. This level of Internet banking service can be provided by the bank itself or by sourcing it out.

*Communication:* This type of Internet banking allows interaction between the bank's system and the customer. It may be limited to electronic mail, account inquiry, loan applications, or static file updates but the risk is higher with this configuration as compare to the earlier system.

*Transaction:* Under this system of Internet banking, customers are allowed to execute transactions. Relative to the information and communication types of Internet banking, this system possesses the highest level of risk<sup>7</sup>.

### Advantages of Internet-Banking

- It removes the traditional geographical barriers as it can reach out to customers of different countries or legal jurisdiction.
- It has added a new dimension to different kinds of risks traditionally associated with banking, heightening some of them and throwing new risk control challenges.
- Security of banking transactions, validity of electronic contract, customer's privacy etc., which have all along been concern of both, bankers and supervisors, have assumed different dimensions to control by any single authority or group of users.
- It poses a strategic risk of loss of business to those banks who do not respond in time to this new technology, being the efficient and cost effective delivery mechanism of banking services.
- A new form of competition has emerged both from the existing players and new players of the market who are not strictly dealt by banks.

### Statement of the problem

Internet is dramatically changing how financial services are designed and delivered to consumers. With the advent of E-Banking, the whole scenario of banking has changed. The innovative trends like Internet-banking has taken over the conventional channels of delivery of services and the customers have saved time, energy and work paper. Thus, it is of immense importance to study the extent to which the customers are satisfied with the delivery of these E-services and there arises an urgent need to study the banking from the customer's perspective.

### Objective of the study

- To examine the level of satisfaction of customers regarding Internet-Banking in selected branches of State bank of India in Chandigarh.
- To suggest measures to strengthen the E-services provided by Public Sector Bank.

### Research methodology

The present study is based on both primary and secondary data. Primary data was collected from the customers of selected branches of State Bank of India. The secondary data was collected from annual reports and other published literature of banks such as monthly information bulletins, circulars, magazines etc., RBI bulletins, Economic Surveys, Newspapers, Internet and other published data.

In this study, sample of 102 customers of selected branches of State Bank of India (SBI) in Chandigarh on the basis of convenience sampling technique was taken to draw the responses to assess level of satisfaction of customers regarding E-services provided by these

selected branches of SBI.

Final survey was made in the following branches of SBI in Chandigarh:

*State Bank of India*

1. Sector-14, Punjab University
2. Sector-17B, Main Branch

**Data Analysis and Interpretation**

**Table1:** Services used by Internet banking users

Services	Responses	No. (n=102)	Percentage%
Transfer of funds	Yes	04	3.9
	No	98	96.1
Managing accounts	Yes	56	54.9
	No	46	45.1
Request for cheque book	Yes	20	19.6
	No	82	80.4
Linking accounts	Yes	02	2.0
	No	100	98.0
Payment of bills, premium &tax	Yes	50	49.0
	No	52	51.0
Booking of tickets	Yes	24	23.5
	No	78	76.5
Trading of mutual funds, shares & investment	Yes	08	7.8
	No	94	92.2
Recharge prepaid mobile	Yes	06	5.9
	No	96	94.1
Shopping	Yes	60	58.8
	No	42	41.2
On-line complaints	Yes	18	17.6
	No	84	82.4

Source: Computed from primary data

According to the above table which examines the services used by Internet banking users it has been established that in selected branches of State Bank of India, the maximum customers were using Internet banking for the purpose of shopping (58.8%), followed by managing accounts (54.9%), payment of bills, premium and tax (49%), booking of tickets (23.5%), request for cheque book (19.6%), on line complaints (17.6%), trading of mutual funds/shares/investments (7.8%), recharging prepaid mobile (5.9%), transfer of funds (3.9%) and least (2%) for linking accounts.

**Table2:** Reason for using Internet banking

Reasons	No	Percentage%
Save time	08	7.8
Convenient	13	12.7
Enhances social status	20	19.6
Error free	2	1.9
Easy transactions	26	25.5
Environment friendly	11	10.8
Provide immediate information	22	21.6

Source: Computed from primary data

The analysis of data regarding the reasons for using Internet banking depicted in above table highlights that Easy Transactions as a reason for using Internet banking have been given more importance by the customers of selected branches of State Bank of India, followed by providing immediate information as a reason for using Internet banking (21.6%) and to enhances social status (19.6%). The customer of the selected branches of SBI have given less importance to convenience as a reason for using Internet banking (12.7%) as compare to above mentioned reasons. The next reason for using the Internet banking was Environment friendly which was given less importance according to the respondents. Very less proportion of the respondents was using the Internet banking for the reason that it helps them to save their time (7.8%). On investigating that being error free is a reason for using Internet banking it has been reflected from the responses that this reason is the least important reason for using the Internet banking by the customers of selected branches of State Bank of India.

**Table3:** Level of satisfaction with Internet Banking

Level of satisfaction	No of responses	Percentage
Highly satisfied	02	2.0
Satisfied	42	41.2
Undecided	48	47.0
Dissatisfied	08	7.8
Highly dissatisfied	02	2.0

Source: Computed from primary data

On assessing the satisfaction level of customers regarding the Internet banking services it was established through the responses that higher proportions of respondents (47.0%) was found to be undecided about this poser. But still fair majority of respondents (41.2%) also opined that they were satisfied with the Internet banking. It also has been ratified that a very less proportion of customers (7.8%) were not satisfied with the E-services provided by selected branches of State Bank of India.

**Findings**

- Only 25% of customers of selected branches of State Bank of India (SBI) used Internet banking.
- Shopping was the most common service used by Internet banking users in selected branches of SBI. The customers of selected branches of SBI also used Internet-banking for the purpose to manage their accounts, to pay their bills, premium and tax. Few proportion of the customer opined that they were using Internet banking to request check book and in case of online complaints.

Interestingly, it was found that customers of these branches were not in the favour of using the Internet-banking for the purpose of linking their account, transferring of funds, recharging pre paid mobile and for the purpose of trading of mutual funds.

- While giving preference ranks to the reasons for using Internet banking the respondents has given more importance to the reasons that Internet-banking provided them with easy transactions and enabled them to enhanced social status, and helped for providing immediate information as compare to other reasons. One of the other reason for using Internet-banking according to the customers was that Internet-banking provided them friendly environment as they were not require to go to the bank physically and they were able to do different transactions by using internet sitting at home.

Interestingly, it was ratified by the responses that customers of selected branches were not using the Internet-banking services to save their time and for the reason of being error free.

- The high proportions of Internet banking users of selected branches of SBI were satisfied with the Internet banking. Still a fair majority of customers were undecided on this statement indicating those customers are not aware of different services provided through Internet-banking.

### Suggestions

- It has been found that the majority of the respondents were not aware of many of the E-services provided by the bank thus, there is need to generate awareness about the features and merits of the Internet banking services provided by this bank, so that the available E-services can be properly utilized for the convenience of the service seekers.
- It has been found that the users of the Internet-banking were cheated by the fraudulent elements by hacking their accounts. ATMs have been the one service which has been misused very frequently by the fraudulent elements, they maybe hackers, thieves, cheaters. The customers have lost faith in these services that is why they make limited use of them. Many of the respondents also complained about absence of magnetic locks on the doors and lack of security personnel's at ATM centers. The bank should ensure the highest level of security in order to gain faith of their customers.
- It has been observed that the E-services were misused and frauds happened due to careless attitude of the customers. Bank should provide prominent and easy to understand advice to customers on the importance of security precautions and this guidance should be understood before any of the E-services are activated.
- It has been reported by the customers that they were charged for every petty service the banks were providing. The bank should be transparent and considerate enough in levying charges and customers should be made aware of all hidden charges before

hand. This will not only help the bank in retaining their customers but also in attracting new customers.

- The requirement to make best use of the E-services is to provide adequate infrastructural facilities so that customers could make best use of the provided E-services.
- Customers were not using all of the E-services provided by bank because of different reasons such as lack of know-how regarding the method of using services, doubt about the safety and security of these services etc., the customers must be apprised of the E-services provided by bank and details on the usage of these services along with the security related issue should be displayed inside the bank in detail. There should be 24x7 helpline to assist the customers on E-services. Bank should launch awareness campaign to educate people about the cyber crimes and its prevention.
- All banks are not providing all kinds of E-services in all branches. Therefore, it is required that banks must provide full range of E-services leaving wider choice with the customers to make use of them at their will.

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