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RETAIL BANKING CUSTOMER PREFERENCES FOR PRIVATE SECTOR E-BANKING

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Retail Banking Customer Preferences for Private Sector E-Banking

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Abstract – *Electronic banking facilitates customer to control their transactions anywhere. Subscribing to the services like mobile banking, allows customer to be updated about their latest account transactions and they don't need to rush to the bank to get their passbooks updated at the end of financial year. This paper examines online bank channel users preference towards varied channels. The study takes into account the demographic profile of the customers of private sector banks and examines their preference towards diverse banking channels. The channels taken in this study include ATM, Branch banking, Mobile and Internet banking. The study reveals that ATM banking is most preferred and most commonly used banking technology in private sector while Internet banking is most popular.*

Keywords: *E-Banking, Self-Service Technology, Banking, ATM, Internet Banking, Mobile Banking.*

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Banking has undergone massive changes since opening up of economies in the 90s in India. This made banks to undergo changes at the macro level. Private Banks to capture the market introduced new technology-enabled banking services. These electronic channels with their benefits made banking convenient for the customers. With rapid mobile and Internet penetration in Indian market in the last few years, mobile and Internet banking were introduced. Even though private banks are leading in electronic banking adoption but still the transition rate of customers from branch banking to Internet and mobile banking is low. Previous literature suggests demographic profile of the customer plays an important role in the adoption of electronic banking channels. (Lichtenstein, S. & K. Williamson, 2006; Sohail, M.S. and Shanmugham, B., 2003; Kolodinsky, J.M., Hogarth, J.M. & Hilgert, M.A., 2004) Therefore, this study attempts to examine the customer preference towards e-banking channels of private sector banks.

LITERATURE REVIEW

J.B. Howcroft (1993) suggested that sometime back it was felt that the technology-enabled channels are going to swipe off branch banking. The effect was perceived to be eventual on branch size and their numbers. However, over time banks changed their orientation and kept branch banking intact as an important element in distribution mix and an important contact point with customers while making its electronic channels innovative.

Ong Hway-Boon & Cheng Ming Yu (2003) suggests that the main customer drivers to ATM and PC

banking besides the traditional branch banking, is the channels operation management. However, the driver for phone banking and banking through kiosks is the innovation of the product and knowledge development.

Tommi Laukkanen (2007) examined customers who are either using mobile for banking or have been paying their bills online. For understand customers preference for online banking, the banking channels key elements were taken into consideration at the time of bill payments.

Calisir F. & Gumussoy C.A. (2008) examined the adoption of Internet banking in young customers. A comparison was drawn with other electronic delivery channels of the banks besides, branch banking. The study reveals that customers alternate between ATM, Internet and phone banking for services. However, even though the customer found banking through Internet to be convenient in terms of accessibility, but still there were security concerns with the websites.

Kaleem & Ahmad (2008) suggests that taking employees perspective is also important. They can help give insights into the risks linked with electronic banking. The can help banks formulate strategies for risk-free banking e-commerce.

RESEARCH FRAMEWORK

The study takes into account the demographic profile of the customers of private sector banks and examines their preference towards diverse banking channels. The channels taken in this study include ATM, Branch banking, Mobile and Internet banking.

The customers' demographics like their age, marital status, gender and other factors like education level, income group and occupation were also taken into consideration for understanding customers profile and choice of channel. The survey was conducted in public sector banks of Chandigarh based on their account numbers. Customers visiting these banks were asked to fill in the survey. This gave a chance of interviewing the customers to get an in-depth perspective at the time of filling up the survey. 300 customers were part of the sample and a structured questionnaire was used for data collection. Inputs were taken from bankers and academicians for questionnaire development.

RESULTS

Private Sector Banks

Age

The distribution of respondents in different age groups according to their first preference for different banking technologies has been shown in Table 1.

A perusal of Table 5.22 showed that out of total 128 respondents in the age group of below 30 years, the highest proportion i.e. 84.38 percent of respondents had ATM banking as their first preference, followed by 9.38 percent for Branch banking. Internet banking was preferred by 4.69 per cent while 1.56 percent preferred mobile banking. Similarly, out of total 116 respondents in the age group of 30-40 years, the highest proportion i.e. 86.21 percent of respondents had ATM banking their first preference, followed by 12.07 percent for Branch banking and 1.72 for internet banking. No respondent from the age group of 30-40 year preferred mobile banking.

Table 1: First Preference of Respondents for Various Banking Technologies in Relation to Age

Age (years)	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	% age	No.	% age	No.	% age	No.	% age	
Below 30	12	9.38	108	84.38	2	1.56	6	4.69	128
30-40	14	12.07	100	86.21	0	0.00	2	1.72	116
40-50	4	10.53	34	89.47	0	0.00	0	0.00	38
Above 50	1	5.56	16	88.89	0	0.00	0	0.00	18

The Table further revealed that out of total 38 respondents in the age group of 40-50 years, the highest proportion i.e. 89.47 percent of respondents had ATM banking their first preference, followed by 10.53 percent for Branch banking and no respondent have preferred for internet and mobile banking. Similarly, out of total 18 respondents in the age group of above 50 years, the highest proportion i.e. 88.89 percent of respondents had ATM banking their first preference, followed by 5.56 percent for Branch banking. No respondent from the age group of above 50 year, preferred mobile banking and Internet banking. Therefore, age has no impact on the first preference of customers for different delivery channels.

Gender

The distribution of respondents in different gender according to their first preference for different banking technologies has been shown in Table 2. Out of total 226 male respondents, the highest proportion i.e. 85.84 percent preferred ATM, followed by 9.73 percent preferred branch banking. Internet banking was preferred by 3.54 per cent while 0.88 percent respondents preferred mobile banking.

Table 2: First Preference of Respondents for Various Banking Technologies in Relation to Gender

Gender	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	% age	No.	% age	No.	% age	No.	% age	
Male	22	9.73	194	85.84	2	0.88	8	3.54	226
Female	10	13.51	64	86.49	0	0.00	0	0.00	74

Similarly, out of total 74 female respondents, as high as 86.49 percent preferred ATM, followed by 13.51 percent preferred branch banking. No respondent preferred internet and mobile banking. Therefore, gender has no impact on the first preference of customers for different delivery channels.

Marital Status

The distribution of respondents in different marital status according to their first preference for different banking technologies has been shown in Table 3.

The highest proportion i.e. 87.10 percent of married customers preferred ATM banking, followed by 10.75 percent branch banking. The lowest 2.15 percent respondents preferred internet banking. No respondent in this group preferred mobile banking. Similarly, the highest proportion i.e. 85.19 percent of unmarried customers preferred ATM banking, followed by 9.26 percent branch banking. Internet banking was preferred by 3.70 per cent respondents while 1.85 percent respondents preferred mobile banking. Out of total 6 divorced customers, as high as 66.67 percent preferred ATM banking and 33.33 percent preferred branch banking. No respondent in this group preferred internet and mobile banking. Therefore first preference of customers for different delivery channels was independent of their marital status.

Table 3: First Preference of Respondents for Various Banking Technologies in Relation to Marital Status

Marital Status	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	% age	No.	% age	No.	% age	No.	% age	
Married	20	10.75	162	87.10	0	0.00	4	2.15	186
Unmarried	10	9.26	92	85.19	2	1.85	4	3.70	108
Divorced	2	33.33	4	66.67	0	0.00	0	0.00	6

Education

The distribution of respondents in different educational groups according to their first preference for different banking technologies has been shown in Table 4. Out of total 36 matriculate and 10+2 pass respondents, as high as 88.89 percent preferred ATM banking, followed by 11.11 percent branch banking. No respondent in this group preferred mobile and Internet banking.

Table 4: First Preference of Respondents for Various Banking Technologies in Relation to Education

Education	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%	No.	%	No.	%	No.	%	
	No.	age	No.	age	No.	age	No.	age	
Matric/10+2	4	11.11	32	88.89	0	0.00	0	0.00	36
Graduation	16	9.52	150	89.29	0	0.00	2	1.19	168
Postgraduation	4	7.69	44	84.62	0	0.00	4	7.69	52
Professional	8	18.18	32	72.73	2	4.55	2	4.55	44

Similarly, out of total 168 graduate respondents, 89.29 percent preferred ATM banking, followed by 9.52 percent branch banking and 1.19 percent internet banking. No respondent in this group preferred mobile banking. The highest proportion i.e. 84.62 percent of postgraduate respondents preferred ATM banking, followed by 7.69 for both branch and internet banking each. No respondent in this group preferred mobile banking. Out of total 44 respondents having some professional degree, 72.73 percent preferred ATM banking, followed by 18.18 percent branch banking and 4.55 percent for both internet and mobile banking each. Therefore the educational level has nothing to do with the first preference of customers for different delivery channels.

Occupation

The distribution of respondents in different occupations according to their first preference for different banking technologies has been shown in Table 5. The highest proportion i.e. 85.71 percent of customers, who were either self-employed or businessmen, preferred ATM banking, followed by 10.20 percent preferred branch banking. Internet banking was preferred by 4.08 per cent respondents. No respondent in this group preferred mobile banking. Out of total 138 servicemen respondents, 86.96 percent preferred ATM banking, while 8.70 percent preferred branch banking. Internet banking was preferred by 2.90 per cent respondents while 1.45 percent preferred mobile banking.

Table 5: First preference of respondents for various banking technologies in relation to occupation

Occupation	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%	No.	%	No.	%	No.	%	
	No.	age	No.	age	No.	age	No.	age	
Self-employed/business	10	10.20	84	85.71	0	0.00	4	4.08	98
Service	12	8.70	120	86.96	2	1.45	4	2.90	138
Academician/Students	6	17.65	28	82.35	0	0.00	0	0.00	34
Homemaker	2	10.00	18	90.00	0	0.00	0	0.00	20
Others	2	20.00	8	80.00	0	0.00	0	0.00	10

Similarly, out of total 34 academician or student respondents, 82.35 percent preferred ATM banking, while 17.65 percent preferred branch banking. No respondent in this group preferred mobile and Internet banking. The highest proportion i.e. 90.00 percent of homemakers preferred ATM banking, while 10.00 percent preferred branch banking. No respondent in this group preferred mobile and Internet banking. Out of total 10 other respondents, 80.00 percent preferred ATM banking, while 20.00 percent preferred branch banking. No respondent in this group preferred mobile and Internet banking. Therefore, first preference of customers for different delivery channels was independent of their occupation.

Income

The distribution of respondents in different income groups according to their first preference for different banking technologies has been shown in Table 6. It can be seen from the Table that out of total 78 respondents having an income of below Rs. 25000, 82.05 percent preferred ATM banking, followed by 12.82 percent followed branch banking, 2.56 percent internet banking and 2.56 per cent mobile banking.

Table 6: First Preference of Respondents for Various Banking Technologies in Relation to Income

Income	Branch Banking		ATM Banking		Mobile Banking		Internet Banking		Total
	No.	%	No.	%	No.	%	No.	%	
	No.	age	No.	age	No.	age	No.	age	
<25000	10	12.82	64	82.05	2	2.56	2	2.56	78
25000-50000	10	8.62	104	89.66	0	0.00	2	1.72	116
50000-75000	6	11.11	46	85.19	0	0.00	2	3.70	54
>=75000	6	11.54	44	84.62	0	0.00	2	3.85	52

Similarly, out of total 116 respondents with an income of Rs.25000 to Rs. 50000, 89.66 percent preferred ATM banking, followed by 8.62 percent followed branch banking, 1.72 percent internet banking. No respondent in this group preferred mobile banking. Out of total 54 respondents having an income of Rs. 50000 to Rs. 75000, 85.19 percent preferred ATM banking, followed by 11.11 percent preferred branch banking, 3.70 percent internet banking. No respondent in this group preferred mobile banking. The highest proportion i.e. 84.62 percent of customers having an income of above Rs. 75000

preferred ATM banking, followed by 11.54 percent preferred branch banking, 3.85 percent preferred internet banking. No respondent in this group preferred mobile.

CONCLUSION

It can be concluded that ATM banking is most preferred and most commonly used banking technology in private sector while Internet banking is most popular. Priorities, preferences and utility pattern of various banking technologies are significantly correlated with each other. However, the first preference of customers for different delivery channels was independent of their personal profile. The factors like age, gender, marital status, education, occupation and income could exert no impact on their first preference for delivery channels. Overall, the study highlights that ATM is the most commonly used and most commonly preferred banking self-service technology.

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