

# Impact of Online Banking on Customers Satisfaction

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**Abstract – The Online banking constitutes an electronic alternative network of payments and benefit of services. The need of creation of electronic alternative channels has been distinguished well in advance by the foreign banking organizations, which relied mainly on the outburst that was observed in the use of internet. The benefits are many, both for the customers and for the banks. The banks that are activated in the Internet are susceptible mainly to the systematic, law part and to the reputational risk and the customers of the electronic banking channel are puzzled concerning to the subject of safety of their transactions and personal data. The aim of this report is, not only to analyze the meaning of electronic banking and to present all the alternative providing banking service networks, but also to focus on the advantages and on the risks that the growth of electronic banking has brought about.**

**The rapid growth of Information Technology (IT) has tremendously changed the way banking is done worldwide. For obtaining service the customers need not to visit Brick and mortars structure of the Bank. All the services of the Bank can be utilized by alternate channels sitting at any location away from Bank. The influence of IT on banking enables the customer to get all major operations/decisions with regard to deposits, withdrawals, and investments by just clicking of a mouse on a computer or at an Automatic Teller Machine (ATM) or mobile. Direct Banking channels or alternate banking channels can be utilized by banks for acquiring, tracking and serving customers through multiple channels. An entire range of services including account opening, fund transfers third party transfers, utility payments can be done through using direct banking channels.**

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## INTRODUCTION

In banking industry, e-services are revolutionizing the way business is conducted. Electronic based business models are replacing conventional banking system and almost of banks are rethinking business process designs and customer relationship management strategies. It is also known as online banking which provides various alternate channels to using banking services i.e. ATM, credit card, debit card, internet banking, mobile banking, electronic fund transfer, electronic clearing services etc. however, as per Indian online banking scenario ATM is most acknowledged than other e-channels. However, internet banking is one of the best alternatives for traditional banking.

Till 1993 internet was dose not used commercial purpose but after 1993 internet has used as tool of commerce and trade. Internet banking began in 1993 the office of the Thrift Supervision Chartered Security First Network Bank (SFNB) in Atlanta (Georgia) and it opened for business in October 1995. In 1998 it was acquired by the Royal Bank Financial Group, Canada. Internet banking not limited to the USA many banks in

the developed and developing countries are using this technology.

In India, ICICI Bank Ltd. was started internet banking service in 1997 as brand name "Infinity" followed by HDFC Bank Ltd in Sept 1999. However, of late many public sector banks and scheduled commercial banks have taken a led in this area. Internet or web based banking is network of banks and financial institutes as well other sealers. It provides electronic payments and settlement services to customers. It implies the most pragmatic use of information technology as medium of universal communication. It has brought unprecedented changes in banking industry. There are high increase indicates in internet users in India.

Online banking is referring to the deployment of banking services and products over electronic and communication networks directly to customers. It has emerged as a strategic resource for attaining efficiency, control operations, productivity, and profitability. It has changed the traditional way of banking transactions. Through the online banking customer do not visit to the bank office in order to

carry out banking transaction. For instance, customer are using automated teller machines (ATM) in place of cashier tellers, and credit cards and electronic cash in place of bank transactions (Alagheband, Parisa ,2006). It also allow customers to submit their applications for different services, make queries on their account balances and submit instructions to the bank and also electronically transfer funds to their accounts, pay bill, and conduct other banking transaction online (Afrouz, Firouzeh, 2006).It relies greatly on information and communication technology (ICT) to attain its promise for 24 hours availability and faster delivery of financial services.

Online banking is now a global phenomenon. It is a precious and influential tool for heavy development, supporting growth, promoting innovation and enhancing competitiveness. A physically powerful banking industry is an essential in every country and can have a major affect in supporting economic development through competent financial services. It has had huge impact on the banking industry. Banks require developing creative solutions of how to make full use of the new technology and how to provide their customers with high online service quality. When lacking face to face interaction banks must increase the experienced online service quality among customers in order to attain and sustain competitive advantages and customer relationships. (Aronsohn et al, 2006).

The most general type of electronic banking in our times is banking via the Internet, in other words Internet banking. This type of banking allows consumers to check the balances in their accounts, transfer funds and order electronic bill payments. Internet banking systems allowing customers to apply for loans, trade stocks or mutual funds, and even view actual images of their checks or deposit slips. The services available for Internet banking vary from bank to bank. Nowadays the Internet is the main channel for electronic banking. Internet banking offers many benefits to banks and their customers (Karjaluoto, 2002). The main benefits to banks are cost savings, reaching new segments of the population, efficiency, enhancement of the bank's reputation and better customer service and satisfaction (Jayawardhena and Foley, 2000). To customers Internet banking offers also new value. With the help of the Internet, banking is no longer bound to time or geography. Consumers all over the world have relatively easy access to their accounts 24 hours per day, seven days a week. It makes available to customers a full range of services including some services not offered at branches. Internet banking has the advantage that the customer avoids travelling to and from a bank branch. In this way, Internet banking saves time and money provides convenience and accessibility. Customers can manage their banking affairs when they want, and they can enjoy more privacy while interacting with their bank. It has been claimed that Internet banking offers the customer more benefits at lower costs. Turban et al. (2000) indicated that Internet banking is extremely beneficial to customers because of the savings in

costs, time and space it offers, its quick response to complaints, and its delivery of improved services, all of which benefits make for easier banking.

Now, Indian banks are investing heavily in the technologies such as branch automation and computerization, core banking, tele-banking, mobile banking (M-banking), internet banking, automated teller machine (ATMs), data warehousing etc. ICT innovations in the previous few years have changed the landscape of banks in India (Kour and Kour, 2011). Today public sector and private sector banks are offering online banking services. Various alternative channels to provide easy and any where banking are properly thought of. The process of bank computerization was started since 1985 in public sector banks in India. However, some private sector banks have started computerization prior to the public sector banks in India. The banks in India are using ICT not only to improve their own internal processes but also to increase facilities and services to their customers.

## ONLINE BANKING CHANNEL IN INDIA

The rapid growth of Information Technology (IT) has tremendously changed the way banking is done worldwide. For obtaining service the customers need not to visit Brick and mortars structure of the Bank. All the services of the Bank can be utilized by alternate channels sitting at any location away from Bank. The influence of IT on banking enables the customer to get all major operations/decisions with regard to deposits, withdrawals, and investments by just clicking of a mouse on a computer or at an Automatic Teller Machine (ATM) or mobile. A customer having an account with bank in city x can operate from anywhere in the world through internet. Mobile banking application has made the banking services available on the finger tips of customer. Those who do not want to use Internet or mobile can transact through IVR on phone which connects the customer to his/her account. Customer of a bank x can withdraw money from the ATM of bank Y which was impossible to withdraw from branch.

### Changing Trends-

- Transactions processing and customer service becoming increasingly independent of the branch channel.
- New technologies are gaining widespread adoption, allowing customer relationship management to become channel independent
- Changes in the regulatory environment are altering the playing field.
- Shifting of customer demographics; Generation Y gaining importance.

## **DIRECT BANKING CHANNELS AND ITS IMPORTANCE**

Direct Banking channels or alternate banking channels can be utilized by banks for acquiring, tracking and serving customers through multiple channels. An entire range of services including account opening, fund transfers third party transfers, utility payments, Cash deposits can be done through using direct banking channels. Anywhere any time banking privilege can best be utilized by customer as per their preferences. Direct Banking channels eliminate the middlemen between banks and the customer resulting into direct involvement of customer with bank. The first experience for the customer of direct banking was the usage of ATM, where in customer does not require a teller to withdraw or deposit money and further visiting the branch. This first step has been followed by introduction of Internet banking, mobile banking, RTGS, NEFT and CTS. Thornton and white in their research study have identified the seven channels (ATM, EFTOPOS, Credit card, Cheque human teller, telephone and internet). According to Howcroft (1993) alternate channels provides convenient alternatives to branch banking.

## **LITERATURE REVIEW**

Customer satisfaction is buzzword today, once here everyone using this customer's satisfaction is affected by the importance placed by the customers on each of the attitudes of the product/ service. Customer satisfaction measurement allows an organization to understand the key drivers that create satisfaction or dissatisfaction; and what is really driving their satisfaction during a service experience. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kumbhar, 2010). It is also feeling or attitude of a customer towards a product or service after it has been used. According to Oliver (1980) satisfaction appears to mediate changes between pre-exposure and post-exposure attitudinal components. It is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behavior (Jamal & Nasser, 2002). When customers pay money to buy a service he has some minimum expectations from the transaction. These expectations from the purchase have to be met substantially, if not entirely for the customer to become a loyal customer of the service (Akbar and Parvez, 2009). These expectations are fulfilled of a promises- quality, fair price, availability, after sale services, complaints handling process, information, and variety etc. the customers are demanding high quality of services and low prices or charges. Better quality for the same cost is the motto of the customers. Sometimes they are prepared to overlook inconveniences also to avail better services at a low cost. Various empirical

researches show that there is significant and positive relationship in service quality and customer satisfaction. Berry (1990) mentioned that there are ten 'Quality Values' which influence satisfaction behaviour i.e. Quality, Value, Timeliness, Efficiency, Ease of Access, Environment, Inter-departmental Teamwork, Front line Service Behavior, Commitment to the Customer and Innovation. Rueangthanakiet Pairot, (2008) defined Customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. However, customers have different levels of satisfaction as they have different attitudes and experiences as perceived from the company.

Janki (2002) analyzed that how technology is affecting the employees' productivity. There is no doubt, in India particularly public sector banks will need to use technology to improve operating efficiency and customer services. The focus on technology will increase like never before to add value to customer services, develop new products, strengthen risk management etc. the study concludes that technology is the only tool to achieve their goals.

Mishra (2005) in his study explained the advantages and the security concerns about internet banking. According to him, improved customer access, offering of more services, increased customer loyalty, attracting new customers are the primary drivers of internet banking. But in a survey conducted by the online banking association, member institutions rated security as the most important concern of online banking.

Jham and Khan (2008) studied the customer's satisfaction in the Indian banking sector and inferred that the satisfaction of customers with the services of Indian banks is linked with the performance of banks.

Nyangosi et al. (2009) collected customers' opinions regarding the importance of e-Banking and the adoption levels of different e-Banking technologies in India and Kenya. The study highlighted the trends of e-banking indicators in both countries. The overall result indicates that customers in both countries have developed a positive attitude and they give much importance to the emergence of e-banking.

Faizan Mohsan (2011) in his study titled "Impact of Customer Satisfaction on Customer Loyalty and Intentions to Switch: Evidence from Banking Sector of Pakistan" revealed that customer satisfaction was positively correlated with customer loyalty and negatively correlated with customer intentions to switch.



## CHANNELS USED IN BANKING

While banks use several channels to service their customers, their major channels include their branches, ATMs, contact centers, the internet and mobile phones. Figure 13 depicts the delivery channels used by banks and details of their beginnings.

While the branch continues to be a core banking channel, customers are increasingly moving toward alternative channels. As figure 14 depicts, the proportionate share of transactions on alternative channels has progressively increased across all the regions in the country.

If we take the share of transactions per channel and compare these, we notice that while branches account for 39% of total transactions, internet banking (30%) and ATM (18%) follow in close second and third positions.

As a customer touch point, a branch is fast evolving from merely being a servicing channel to an active relationship management and business expansion medium. Today, alternative channels are maturing and adoption of these by customers has been steadily increasing due to the large number of Indian banks investing in core banking technologies.

## METHODOLOGY

Present study is focused around primary data sources; collected through survey of 380 respondents. Primary data was collected through survey and short interviews of bank customers who are utilizing alternative banking channels. All respondents were selected utilizing comfort sampling method because of absence of fitting data and accessibility of time.

The recognizable proof of the issue territory is a fundamental venture in detailing a decent question for better understanding of the issue. The research writing investigated so far demonstrates that the client satisfaction is an extremely fascinating and vital point in the service business (i.e. banking, protection, wellbeing, tourism and so forth.). Today Indian banking industry is experiencing the fast mechanical changes and banks are giving innovative banking service to their customers. Numerous private and public sector banks in India have contributed enormous cash to upgrade banking technology. After a watchful survey of beginning inquiry, we watched that very much various studies have been made around there of technology were focused around banking service and client satisfaction. A large portion of the research work was centered on technology acceptability by the customers and client satisfaction in customary banking service. A portion of the research work led around there is directed to attempt an angle that has not been tremendously distinguished. It is known as how technology based alternative banking channels influences on service quality and client satisfaction. In

the first place, a diagram of the steps taken to create the methodological framework is presented.

The selection of a proper research methodology is urgent to the viability of a research work. Methodology in social sciences falls inside the classifications of positivist, interpretive and basic. Lion's share of the research has a place with the initial two classes. Dominant part of business and marketing research envelops with the positivist or quantitative and qualitative methods. A quantitative methodology was employed to acquire data in order to address the research questions. As indicated by Yin (1994), qualitative method is suitable to experimental studies. Thusly, qualitative method – an exact careful investigation specifically was connected to lead this research. Numerous researchers still accept that the careful investigations are fitting for exploratory or starting period of the examination. In actuality, a research endeavor turns into a favored research procedure when a complex social marvel needs to be examined. This research was led by utilizing six research endeavors as a part of six separate banks. Different research endeavors would give the chances to come close the services in distinctive banks under diverse points and viewpoints, which can enhance the analysis of this research. Along these lines, we embraced a qualitative research approach in the present study.

## CONCLUSION

Present research shows that, demographics of the customers' are one of the most important factors which influence using internet banking services. Overall results show that highly educated, a person who are employees, businessmen and belongs to higher income group and younger group are using this service, however, remaining customers are not using this services. These factors not only led to use internet banking but also influence to overall customers satisfaction in internet banking. Therefore, there is need to simplify the internet banking services and encourage to lower literate peoples as well other peoples to use internet banking services, Banks should try to educate their rest of customers who are not using this service. Results also show that overall satisfaction of employees, businessmen and professionals are higher in internet banking service; it means other users are not happy with the internet banking services therefore bank should know the barriers in it and try to remove that barriers as well obstacles in betterment of rest of customers' satisfaction.

This study has analyzed the overall perception of customers regarding the services of online banking. Age and occupation are the important demographic factors in the banks which have used to measure the perception of the customers on e-banking services. Online banking will be successful for banks only when they have Commitment to online banking along with a deeper understanding of customer needs. This can

come only when the bank has a very big base of customers, best people, and a service attitude. Banks should concentrate on above lines in order to have effective online banking practices.

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