An Investigation on Customer Attitude and Perception Towards Internet Banking: A Case Study

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ABSTRACT

This study identifies factors responsible for customers’ attitudes and perceptions towards emerging internet banking sector. It also reveals the importance of the key variables relating to customers’ demographic and social inputs. A sample of 156 customers is personally surveyed using a structured questionnaire in various cities of Andhra Pradesh. The data are analyzed using descriptive analysis like chi-square test, cross tabulations, t-test and factor analysis, and the proposed hypotheses are tested. Further the effects of psychometric factors are analyzed and the results are compared with those obtained without psychometric input. Extensive analysis of the data reveals that factors such as customer relationship management, word of mouth and the attitudes of the customers play important roles in increasing the productivity with respect to internet banking. Hypothesis tests also demonstrate that significant difference exists in usage of mobile banking and SMS banking with reference to demographic factors. The quality of the service also influences the customers to choose internet banking as a better alternative.

Keywords: Consumer Perception, Customer Attitude, Customer Satisfaction, Internet Banking, Mobile Banking, SMS Banking

INTRODUCTION

The internet banking is changing the banking industry and is having the major effects on banking relationships. It involves use of internet for delivery of banking products and services i.e., from minimum functionality sites that offer only access to deposit account data to highly sophisticated offerings enabling integrated sales of additional products and access to other financial services- such as investment and insurance. The primary drivers of Internet banking are improve customer access, facilitate the offering of more services, increase customer loyalty, attract new customers, provide services offered by competitors and reduce customer attrition. The evolution of technology in Indian banking sector may be categorized as (i) introduction of mechanised banking -1960 (ii) introduction of computer based banking industry-1970 and (iii) introduction of computer-linked communication based banking. The banking industry in India is facing an unprecedented competition.

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from non-traditional banking institutions, which presently offers banking and financial services over the internet. The deregulation of the banking industry coupled with the emergence of new technologies, are enabling new competitors to enter to the financial services market quickly and efficiently.

India’s banking sector is growing at a faster pace. India has become one of the most preferred banking destinations in the world. The reasons are numerous: the economy is growing at a rate of 8%, bank credit is growing at 30% per annum and there is an ever expanding middle class of between 250 and 300 million people (larger than the population of the US) in need of financial services. Considering the above scenario of emerging market in internet banking there exists a necessity of understanding customer perceptions in details. This will help the banks to focus on customer needs and in the process they can provide qualitative services which leads to customer satisfaction.

REVIEW OF LITERATURE

In India still there is lack of users for internet as a medium for banking purpose, but the banking sector is upgrading and bringing many electronic banking medium for customers so that banking can be made more convenient. In recent past few related work has been reported in the literature. Sathyae (1999) has suggested that security concerns and lack of awareness and its benefits stand out as being the obstacles to the adoption of internet banking. Further, it has been observed that delivery of financial services over the internet should be a part of overall customer service and distribution strategy. Jun and Cai (2001) has identified seventeen service quality dimensions of internet-banking service. These are reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and divers features. Rotchanakitumanualai and Speece (2003) has investigated that non-internet banking users tend to have more negative management attitudes toward adoption and are more likely to claim lack of resources. Wang et al. (2003) introduced “perceived credibility” as a new factor that reflects the user’s security and privacy concerns in the acceptance of internet banking. The paper also examines the effect of computer self-efficacy on the intention to use internet banking. Gerrard and Cunningham (2003) founded that the perceptions that adopters had about social desirability, confidentiality, accessibility and economic benefits are viewed no differently when adopters are compared with non-adopters. Jayawardhena et al. (2004) transformed the original SERVQUAL scale to the internet context and developed a battery of twenty one items to assess service quality in e-banking and has condensed to five quality dimensions: access, website interface, trust, attention and credibility. According to Kolodinsky et al. (2004), relative advantage, complexity/simplicity, compatibility, observability, risk tolerance, product involvement, income, assets, education, gender, marital status, and age affect the adoption of internet banking. Eriksson et al. (2005) has suggested that models of technology acceptance should be re-formulated to focus more on the key role of the perceived usefulness of the service embedded in the technology. Gan et al. (2006) has identified that internet banking is no longer a competitive advantage but a competitive necessity for banks. According to IAMAI report on online banking (2006), 43% of online banking users did not start online financial transaction because of security reasons, 39% did not start because they preferred face to face transaction, and 22% did not start because they did not know how to use, for 10% sites are not user friendly and for 2% banks are not providing the facility of internet banking. El-Sherbini et al. (2007) investigated the customers’ perception of internet banking, their perceived importance for it, usage patterns and problems arising on its utilization.
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