

# **E-BANKING PRACTICES AND CUSTOMER SATISFACTION – IN THANJAVUR DISTRICT, TAMILNADU : AN EMPIRICAL STUDY**

**Dr. D. JAYASEELAN M.Com., M.Phil., PhD.,**

**Assistant Professor of Commerce,**

**Abi & Abi Arts and Science College, Thanjavur, Tamil Nadu, India**

**Abstract:** The population defined for this study was limited to customer using e-banking services of public and private sector banks in Thanjavur district of Tamilnadu. The present study covers bank branches for those bank groups working in the Thanjavur district only.

Keywords: E-Banking, Customer Satisfaction, ATMs, Security

## **Introduction**

The banking scenario in India in the post liberalization and deregulated environment has witnessed sweeping changes. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. For customers, it is the realization of their ‘Anywhere, Anytime, Anyway’ banking dream. This has prompted the banks to embrace technology to meet the increasing customer expectation.

Technology to start with is a business enabler and now has become a business driver. The banking institutions cannot think of introducing a financial product without information technology support be it customer service, transactions,

remittances, audit, marketing, pricing or any other activity in the banks. Information Technology plays an important role not only to complete the activity with high efficiency but also has the potential to innovate and meet the future requirements. Information Technology has therefore introduced new business paradigms and is increasingly playing a significant role in improving the services in banking industry.

### **Definition of E-Banking**

The concept of electronic banking has been defined in many ways. Daniel (1999) defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. Pikkarainen et al (2004) define internet banking as an "internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments". With the exception of cash withdrawals, internet banking gives customers access to almost any type of banking transaction at the click of a mouse (De Young, 2001). Indeed the use of the internet as a new alternative channel for the distribution of financial services has become a competitive necessity instead of just a way to achieve competitive advantage with the advent of globalization and fiercer competition (Flavián et al, 2004; Gan and Clemes, 2006). Banks use online banking as it is one of the cheapest delivery channels for banking products (Pikkarainen et al, 2004). Such service also saves the time and money of the bank with an added benefit of minimizing the likelihood of committing errors by bank tellers (Jayawardhena and Foley, 2000).

### **Customer Satisfaction**

#### **Service Quality**

Without any doubt, service quality is very important component in any business related activity. This is especially so, to marketer a customer's evaluation of service quality and the resulting level of satisfaction are perceived to affect bottom line measures of business success (Lacobucci et al.,1994). Customer expectations are beliefs about a service that serve as standards against which service performance is

judged (Zrithaml et al., 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuram et al., 1988). To some, service quality can also be defined as the difference between customer's expectations for the service encounter and the perceptions of the servicereceived.

According to the service quality theory (Oliver, 1980), it is predicted that customers will judge that quality as `low` if performance does not meet their expectations and quality as `high` when performance exceeds expectations. Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customer (Parasuraman et al., 1985). According to Gronroos (1982), perceived quality of a given service is the result of an evaluation process since consumers often make comparison between the services they expect with perceptions of the services that they receive. He concluded that the quality of service is dependent on two variables: Expected service and Perceived service. Quality spells superiority or excellence (Taylor and Baker, 1994) (Zeithaml, 1988), or, as the consumer's overall impression of the relative inferiority / superiority of the organization and its services (Bitner and Hubbert, 1994; Keiningham et al., 1994-95). Consumer behavioural intentions are also influenced by the standards of service quality (Bitner, 1990; Cronin and Taylor, 1992, 1994; Choi et al.,2004).

### **Perceptions Vs Satisfaction:**

Customer satisfaction could be satisfaction with the quality of product/service, the nature of relationship, the price/performance ratio of a product/service, and the ability of the product/service to meet customer's expectations (Brown.C, 1998). While perception of service quality is considered more long-term (Parasuraman.A et al, 1988), satisfaction is more transaction- specific and transitory, and service quality is considered a predecessor of satisfaction (Dick. et al, 1994). Therefore, it is clear that perceived service quality and satisfaction are closely related. However, the difference between the two can be seen by the fact that a consumer can be satisfied with a specific service, but at the same time may not feel that the range of services was of high quality. Using a similar example, Storbacka et al (1994) explored this aspect as:

"a customer could, therefore, respond on a questionnaire that a particular bank is of high quality, even if this did not mean this customer was satisfied with using the bank. It might have too high interest rates on loans or it might not fit the customer's preferences for some other reason".

### **Security**

Assurance about security relates to the extent to which the web site guarantees the safety of customers` financial and personal information, an area which has witnessed a proliferation of research interest (Kimery and McCord, 2002; Miyazaki and Krishnamurthy, 2002). Security can be assured by providing a privacy statement and information about the security of the shopping mechanisms and by displaying the logos of trusted third parties. For example, displaying trusted third party logo guarantees a certain level of security protection and has been shown to significantly influence how consumers regard the trustworthiness of e vendors (Jiang et al, 2008).

### **Statement of Problem**

The Indian Banking Industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. Today, Indian Banking Industry is one of the largest in the world. There has been a great surge in efficient customer services. A highly satisfied and delighted customer is a very vital non-financial asset for the banks in the emerging Information Technology era. The curtsey, accuracy & speed are like a crown factors for a bank.

Today banking industry has undergone a sea change. The main work of Bank employees is to provide quality information (which is consistent with all branches and direct access channels like ATMs, Phone Banking, Mobile Banking and Net Banking) at the branch at customer finger tips. Online banking (or Internet banking) allows customers to conduct financial transactions on a secure website operated by their bank. E-banking services are delivered to customers through the Internet and the web using Hypertext Markup Language (HTML). In order to use e-banking services, customers need Internet access and web browser software. One of the main concerns of e-banking is security. Without great confidence in security, customers are unwilling

to use a public network, such as the Internet, to view their financial information online and conduct financial transactions. Some of the security threats include invasion of individuals' privacy and theft of confidential information. Banks with e-banking service offer several methods to ensure a high level of security.

Determining factors affecting customer satisfaction with e-banking is an essential part of a bank's strategy formulation process in an emerging economy like India. It has become imperative for both public and private sector banks to perform to the best of their abilities to retain their customers by catering to their explicit as well as implicit needs. Many a times it happens that the banks fail to satisfy their customer which can cause huge losses for banks. Therefore, the main purpose of the study is to know the e-banking services provided by the banks in the study area and this research study makes an attempt to analyze the overall satisfaction of the customer regarding the e-banking transactions in the public and private sector banks in Thanjavur district of Tamilnadu.

### **Scope of the study**

With the advent of liberalization policy and RBI's easy norms several public, private and foreign banks have entered in Indian banking sector which has given birth to cut throat competition amongst banks for acquiring large customer base and market share. Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a Herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice.

Banking industry worldwide is offering various options, financial products and services to enhance customer satisfaction. Innovative ways for information technology are used to provide services. Undoubtedly e-banking is the technological wonders and is gaining popularity. E-banking is regarded as pulse of the nation. It is important for

banks to encourage customers to use e-banking. Banks-trusted business service providers, have the opportunity to leverage their existing relationships to provide full range of high quality trusted internet business services to their customers.

In India, there is less number of studies being conducted to identify how effectively the online channels are used by banking industry to increase customer satisfaction. Hence, this study throws light on the e-banking services provided by the banks in the study area and this research study makes an attempt to analyze how banks are attracting the various customers and how the customers are satisfied with the e-banking services provided by the banks. This study will be helpful to draw up further policy for improving customer satisfaction with e-banking practices and act as a secondary data for further research.

### **Objectives of the Study**

1. To analyze the present e-banking scenario in India.
2. To study the extent of awareness and the usage of e-banking services in the study area.
3. To ascertain the customer's satisfaction regarding various e-banking services provided by public and private sector banks and

### **Hypothesis**

H1: Accessibility, Convenience, Privacy, Security, Design, Content, Speed and Fees and Charges have positive relationship with customer satisfaction.

H 2: The public and private sector banks customers have similar satisfaction with e-banking practices.

### **Research methodology**

In a view to precede the research in a systematic way the following research methodology has been used. By means of obtaining detailed opinion of the customers, this research falls under the category of descriptive research. This study was conducted as a survey that examined customers' satisfaction with e-banking practices in public and private sector banks located in Thanjavur District of Tamilnadu.

### **Area of the study**

Thanjavur District is one of the 32 districts of the state of Tamilnadu, in southeastern India. Its headquarters is Thanjavur. According to the 2011 census Thanjavur district has a population of 2,402,781, roughly equal to the nation of Kuwait or the US state of New Mexico. This gives it a ranking of 185th in India (out of a total of 640). The district has a population density of 691 inhabitants per square kilometer (1,790 /sq mi). Its population growth rate over the decade 2001-2011 was 8.42 per cent and a literacy rate of 82.72 per cent. Due to vast amount of potential growth, more number of public and private sector banks are established their branches in this district and there is intense competition prevailed between public and private sector banks to enhance their customer base. It is presumed that the large number of customers aware of the e-banking services because of high literacy rate in this district. Hence, this district is purposively selected by the researcher to analyze the customer satisfaction with e-banking services provided by thebanks.

### **Sample size**

In Thanjavur district almost, all the major banks have branches in this district. As it was felt that it would useful to attempt a comparative study among public and private sector banks. One public and one private sector bank having the largest network of branches in the district were identified. The similarly of two banks from e-banks have been identified. In the district, public sector banks, SBI has large number branches (15 branches) as compared to other public sector banks. Similarly, among private sector banks located in the district, ICICI bank has large number of Branches (5) as compared to other private sector banks. Two branches from each bank viz., Kumbakonam and Thanjavur selected as sample.

In Thanjavur and Kumbakonam branches of State Bank of India, there are 15,975 and 14,257 customers. In the same branches of ICICI bank there are 12,257 and 13,250 customers. The sample size was calculated to guarantee a sufficient number of respondents in each bank branch. Thus, the following formula has been used to estimate the population sample size: As per the formula, the required sample size is 382 customers, therefore, 206 customers from SBI and 176 customers from ICICI Bank were selected as sample. Out of 206 samples in SBI, 109 and 97 samples

were chosen from Thanjavur and Kumbakonam branches. Similarly, out of 176 samples in ICICI bank 85 and 91 samples were selected from Thanjavur and Kumbakonam branches of ICICI bank on the basis of proportionate to the total population.

### **Data Collection**

The present study is of analytical and exploratory nature. Accordingly, the use is made of primary and secondary data. The primary data is collected with the help of pre-tested structured questionnaires from a sample of 369 respondents (253 and 116 respondents from one public and one private sector bank) of selected branches of SBI and ICICI Bank from Thanjavur district. The branches and respondents are selected with the help of convenience sampling method.

The survey questionnaire measured eight dimensions of e-banking service quality and its effect on customer satisfaction. A five pointlikert scale ranging from strongly agree to strongly disagree was adopted as the scale for the statements in the questionnaire and method of data collection was through personal mode. The survey questionnaire has been designed using 29 statements related to service quality dimensions *i.e.* Accessibility, Convenience, Privacy, Security. Each statement in the questionnaire has positively worded. Reliability of the questionnaire was tested using Cronbach's alpha reliabilitytest.

### **Statistical Analysis**

The statistical tests used in the analysis of data includes, Simple Percentage, ANOVA, Chi-square test, t-test, correlation analysis, factor analysis, and regression analysis. SPSS (Statistical Package for Social Sciences) version 16.0 was used to compute and analyze the data.

### **Limitations of the Study**

1. The study is restricted to commercial banks located in Thanjavur district only.
2. The study is based on the opinion survey of customers. But, the opinion expressed may differ according to time and situation.
3. The findings of the study can't be generalized as the study is made covering a limited area namely, Thanjvaur district of Tamilnadu.

### Customers Satisfaction

The customers' satisfaction with e-banking services is measured in terms of Accessibility, Convenience, Privacy, Security.

### Accessibility

Accessibility defines as the ability of users to access information and services of e-banking are dependent on many factors. These include the content format; the user's hardware, software and settings; internet connections; the environmental conditions and the user's abilities and disabilities. The term accessibility generally relates to the implementation of e-banking medium content in such a way as to maximize the ability of users to access the information. The customers' satisfaction with accessibility of e-banking medium is analyzed and presented in table 1.

**TABLE No. 1**  
**CUSTOMER SATISFACTION TOWARDS**  
**ACCESSIBILITY OF E-BANKING SERVICES**

E-banking medium	Public Sector Bank		Private Sector Bank		Combined	
	Mean score	Mean score (%)	Mean score	Mean score (%)	Mean score	Mean score (%)
ATM	21.41	30.59	39.40	56.29	29.70	42.43
Internet banking	30.57	43.67	42.47	60.67	37.04	52.91
Mobile banking	24.83	35.47	36.07	51.53	30.25	43.21
Average	24.40	34.86	39.03	55.76	31.52	45.02

Source: Primary data

Table No. 1 shows that the average mean score obtained by all the sample respondents for customer satisfaction in e-banking services with regard to accessibility was 45 per cent. It was nearly 53 per cent in respect of internet banking, 43 per cent in respect of mobile banking and 42 per cent in respect of ATM services.

The average mean score of 35 per cent and 56 per cent was secured by the public and private sector bank respondents for selected e-banking services. The

private sector bank respondents have secured maximum score for internet banking services followed by ATM services, mobile bank was in the third place. There is no significant variation in the mean score obtained by the respondents of the public sector bank. Among the selected e-banking services, the respondents in the public sector bank have secured lowest score for ATM Services with regard to customer satisfaction in e-banking services. It can be inferred from the table that the private sector bank customers have easy accessibility to use e-banking services as compared to private sector bank.

### Convenience

E-banking provides higher degree of convenience that enables customers to access e-banking services at all times and places. Apart from that, the ease of access of e-banking services is perceived as a measure of relative advantage. Certain factors are considered as paramount importance in ensuring the success of e-banking, i.e. the ability of an innovation to meet users' needs using different feature availability on e-banking services such as the provision of interactive loan calculators, exchange rate converters, and mortgage calculators on the screen draw the attention of users of e-banking services. The customers satisfaction with e-banking in relation to convenience is analyzed.

**TABLE No. 2**

### **CUSTOMER SATISFACTION TOWARDS CONVENIENCE OF E-BANKING SERVICES**

E-banking medium	Public Sector Bank		Private Sector Bank		Combined	
	Mean score	Mean score (%)	Mean score	Mean score (%)	Mean score	Mean score (%)
ATM	09.55	27.30	16.55	47.29	12.77	36.50
Internet banking	14.90	42.57	21.18	60.51	18.31	52.32
Mobile banking	10.94	31.25	18.79	53.67	14.72	42.05
Average	11.09	31.68	18.46	52.73	14.67	41.92

Source: Primary data

Table No.2 present that mean score secured for satisfaction level with regard to convenience, which is highest in case of internet banking and lowest for ATMs services. The mean score obtained for mobile banking service was 42.05 per cent. The average mean score secured for selected e-banking services was 41.92 per cent. The public and private sector bank respondents have obtained highest mean score for internet banking services as compared to ATMs and other mobile banking services. The average mean score obtained by the respondents for selected e-banking services in public and private sector bank was 31.68 per cent and 52.73 per cent. The respondents of public sector bank have obtained low mean score as compared respondents of private sector banks. Therefore it can be inferred from the table private sector banks customers have more convenience to use e-banking services when compared to public sectorbanks.

### **Privacy**

Customers may have doubts about the trustworthiness of the e-bank's privacy policies. Trust has striking influence on user's willingness to use e-banking services in exchanges of money and personal sensitive information. Privacy is an important dimension that may affect users' intention to adopt e-based transaction systems. Encryption technology is the most common feature at all bank sites to secure information privacy, supplemented by a combination of different unique identifiers, for instance, a password, mother's maiden name, a memorable date, or a few minutes of inactivity automatically logs users off the account. The customers' satisfaction with regard to privacy is analyzed and presented.

**TABLE No. 3**  
**CUSTOMER SATISFACTION TOWARDS PRIVACY OF E-**  
**BANKING SERVICES**

E-banking medium	Public Sector Bank		Private Sector Bank		Combined	
	Mean score	Mean score (%)	Mean score	Mean score (%)	Mean score	Mean score (%)
ATM	16.37	40.93	24.24	60.60	20.00	50.00
Internet banking	25.30	63.25	29.31	73.28	27.48	68.71
Mobile banking	25.31	63.27	26.10	65.25	25.69	64.22
Average	21.22	53.07	26.13	65.32	23.61	59.03

Source: Primary data

Table No. 3 shows the mean score secured by the respondents for privacy. The respondents have obtained the mean score of 59.03 percent for experiencing privacy while using e-banking services. The maximum score of 68.71 per cent obtained for internet banking followed by mobile banking services. The mean score secured by the respondents for ATMs services was 50 per cent. The average mean score of 53.07 per cent and 65.32 per cent was obtained by respondents of public and private sector bank. The low mean score of 40.93 per cent obtained by the public respondents for ATMs services.

More than 50 per cent mean score was secured by the respondents of public sector bank for Internet banking services and mobile banking services. In case of private sector, all the respondents have got more than 60 per cent mean score for experiencing privacy. Therefore, it is understood from the table that all the respondents are experienced privacy while using e-banking services except ATMs services provided by public sector banks.

### Security

Assurance about security relates to the extent to which the e-bank service provider guarantees the safety of customers` financial and personal information. Security can be assured by providing a privacy statement and information about the security of the shopping mechanisms and by displaying the logos of trusted third parties. For example, displaying trusted third party logo guarantees a certain level of security protection and has been shown to significantly influence how consumers regard the trustworthiness of e-vendors. The customers satisfaction in relation to privacy is analyzed in table No. 4.

**TABLE No. 4**  
**CUSTOMER SATISFACTION TOWARDS**  
**SECURITY OF E-BANKING SERVICES**

E-banking medium	Public Sector Bank		Private Sector Bank		Combined	
	Mean score	Mean score (%)	Mean score	Mean score (%)	Mean score	Mean score (%)
ATM	09.08	30.28	11.48	38.27	10.19	33.96
Internet banking	16.28	54.27	17.50	58.34	16.87	56.23
Mobile banking	13.16	43.87	18.47	61.57	16.05	53.49
Average	12.38	41.26	15.26	50.87	13.78	45.93

Source: Primary data

Table 4 indicates the mean score obtained by the respondents for security while using e-banking services. The average mean score of 45.93 per cent was secured by the both public and private sector bank respondents. The highest score of 56.23 per cent and 53.49 per cent secured for internet banking and mobile banking services, the lowest mean score of 33.96 per cent was obtained for ATMs services. The respondent of both public and private sector bank was secured lowest mean score of 30.28 per cent and 38.27 percent respectively for ATMs services. Hence, it is inferred from the table the public and private sector bank customers are feel security while using e-banking services except ATMs services.

## CONCLUSION

The review uncovers that clients of e-banking conveyance channels have solid positive discernment towards innovation utilized in financial which is reflected in their reception and utilization of the equivalent though non clients plainly showed their lack of engagement and obliviousness in utilizing different advances driven financial channels. This concentrate likewise recognizes factors comfort, speed, content, protection, expense and charges, security, plan and openness which impact the reception of ATMs wherein accommodation, speed, plan, content and openness are decidedly connected with the reception of ATMs though expense and charges, security, protection has negative impact. On account of web banking likewise distinguishes factors comfort, speed, content, protection, expense and charges, security, plan and availability which impact the reception of web banking wherein comfort, speed, security, protection and availability are decidedly connected with the reception of web banking though expense and charges, plan and content has negative effect on web banking reception. It is additionally uncovered that clients' various encounters with e-banking conveyance channels and their fulfillment go inseparably as in those who have less hardships shown significant degree of fulfillment as well as the other way around. For the situation of all the chose e-banking conveyance channels aside from Mastercards, clients don't have numerous challenges and they are genuinely happy with something very similar. On account of charge cards, the greater part of the clients every now and again experience exorbitant loan fees, stowed away charges and charges on late installments which lead to low even out of fulfillment of charge cards.

The examination discoveries plainly propose that the drive towards simplicity of banking and accommodation is supported by the client and accordingly banks should discover elective key courses intended to further develop administration conveyance either human based or innovation based. Comprehend that no innovation can supplant human interface. PCs can't be made to work more brilliant than individuals within a reasonable time-frame. Individual decisions, instincts, likes, loathes and so on will continue to assume a predominant part in the way individuals

interface with their specialist organizations, clients and other partners. Innovation will work with the exchanges however it will be the man or lady behind the innovation that will matter the most and triumph ultimately the final word.

### **SUGGESTIONS**

- E-banking should be easily accessible by the users; this should be in terms of approach or convenience, availability, understanding and suitability. It should also be suitable for all categories of customers even the physically challenged.
- It is suggested that technical problems that occur while withdrawing cash from ATM shall be solved immediately.
- E-banking service should be according to the customer expectation and satisfaction. The bank should arrange the demonstration programs for the clients to enjoy the services properly.
- Improved Internet connectivity is very essential for the success of e-banking. The banking industry therefore, needs to ensure regular internet connections with sustained power supply for increasing customer satisfaction.
- Customers need to be given more sustained public education and awareness concerning the use of e-banking services such as proper maintenance of ATM cards, how to make various online transactions without giving room for Internet fraudsters, and ensuring more security for their online transactions.

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