

Analysis of Problems Faced by Customers during Use of Internet Banking

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Abstract

Internet banking (i-banking) has become part and parcel of an individual's life. But everyone faces some problems at initial or later stage. The present study, which is exploratory-cum-descriptive in nature, attempts to identify the problems faced by customers during the use of i-banking with a sample of 150 respondents selected by using judgement sampling from the Sirsa district of Haryana. To analyze the data, a set of statistical techniques such as frequency distribution, percentage, mean, standard deviation (S.D.) were used. ANOVA technique has been used to validate the results. It is found that customers faced difficulties due to lack of knowledge, lack of proper training, outdated technology, technical bottlenecks, frustration in getting work done electronically, reduced personal efficiency and strain due to i-banking as compared to visits in banks personally. Therefore, it is suggested that banks should develop advanced applications or softwares which are user friendly and compatible with every electronic gadget and easy to learn by the customers.

Keywords: Internet banking, knowledge, training, technical bottlenecks and personal efficiency.

Introduction

Information and Communication Technology (ICT) came into picture in the year 1980 in banking industry through the Rangarajan Committee recommendations. It totally changed the way of functioning of all banks and financial institutions. Quotation of Bill Gates, "we need banking, do we really need banks?" is totally true in this context. Today, no banking business or corporate strategy is complete without adequate and modern means of information and technology. There were different phases introduced during the evolution of ICT in the banking sector. To have a clear picture regarding the developments of ICT, it has been divided into five phases. During the First phase of development, the banks were focused on automating the laborious accounting process and the functions performed at back office operations like maintenance of deposits, calculation of interest, and maintaining of ledger accounts. Second phase of development took place in 1980 when the front office and back office operations were automated. This helped in improving the customer service, reduction in processing time on the front office and back office operations. In this way, the time on carrying out the activities as well

as providing the service to the customer was reduced to a large extent. Third phase triggered opening up of new generation private sector banks. These banks with small network and having the advantage of opening the branches under the computerized environment from day one of operations introduced the networking concept and centralized operations. With further investment in ICT, banks could provide innovative financial products at the minimum cost. Now instead of branch-customer concept, bank customer concept is introduced. This meant that the problems of decentralized network, database and related operational costs are avoided. With the help of core banking solution, the banks were able to lower the service cost after the adoption of centralized operations. The centralized operations led to the fourth phase of development where the customer carried out his own required transactions through automated teller machine, mobile banking, internet banking and phone banking. The AAA mantra of Anywhere, Anytime and Anyhow got implemented through ATMs, internet banking and mobile banking. The operational costs for transactions through ATMs are comparatively less and also provide flexible options to the customers. The other area where there is high potential to transact and operate by the customers and where operating cost is low is “Internet banking”. Internet banking has a least cost per transaction, *i.e.*, \$ 0.01 per transaction than mobile banking, ATM, telephone banking and normal branch transaction. The banking industry is now at the fifth stage of development known as interbank connectivity. This connectivity of inter-bank and inter-branch has been possible through “Real Time Gross Settlement System”. The concept of “bank-customer” has further improved to “banking industry-customer”. In this system, the transactions are on real time basis as and when they occurred. Having glanced at the different phases of banking sector, it is now clear that technological advancement has totally changed the scenario of banking sector. Therefore, computerization, information technology and automation of services are key issues for banks to survive in a competitive environment; and are receiving prime attention as it touches everybody’s work in some way or the other. But this cannot be done in a day. Banks do need to have extensive investment on technology to meet all the requirements and reduce the transaction costs. However, the implementation of IT in banking without undertaking appropriate Business Process Re-engineering (BPR) exercise will not prove to be fruitful. Proper business process re-engineering ensures the IT initiatives to meet the required objectives and ensures the financial outlay being properly utilized. There are number of benefits that can be achieved from IT through BPR. Firstly, BPR enables banks to reap up the maximum benefits from absorption of IT in business operations, be it by way of process simplification or handling the large volume of transactions. Secondly, BPR should facilitate in process simplification in banking operations so that IT initiatives can

be rendered in a much simpler and effective way in manual operations. Thirdly, BPR should considerably reduce the time lag deliverables and hasten up the entire cycle of processes and procedures involved in banking operations. Fourthly, BPR process should enable the customers to undertake the banking transactions much more conveniently than earlier one. BPR process should target on improving the overall customer service levels. This can be achieved by popularizing the IT based delivery channels like tele-banking, remote customer enquiry terminals, kiosks, internet banking, ATMs, mobile banking and phone banking so that customers are facilitated to carry out most of the transactions without having to visit the branch premises. It is clear that technology can be used in banking in four different ways like to handle the expanded customer database, to reduce substantially the cost of handling payments, to free the bank from traditional constraints of time and place and to introduce new products and services to the customers. Due to these technological changes, the term which gains the utmost importance is “Electronic Banking”. E-banking is defined as the automated delivery of new and traditional banking products and services through electronic, interactive communication channels. Through e-banking individuals and corporate customers can access accounts, transact business, transfer funds or obtain information on products and services through the electronic media without any paper transactions. For many customers e-banking means 24 hours access to cash through ATM or direct deposit of pay cheques into savings account but electronic banking involves different types of transactions. E-banking also means transferring of funds electronically with the use of computer and other electronic modes. It allows customers to automate cash receipt payment. Increased productivity and cutting of transaction costs are the most obvious benefits of e-banking. The dramatic difference in cost and speed between traditional ‘brick-to-brick’ banking and Internet-mediated financial ‘brick-to-click’ banking services and related information delivery has led to rapid growth of online payments, e-banking and online credit risk management. However, the Indian banking industry is expected to be a leading player in e-business while the banks in developed countries are working primarily via internet as non-branch banks.

Review of Literature

Various articles appeared in different journals on varied aspects of i-banking, which are restrictive in nature and do not give a comprehensive picture. A brief review of some of the relevant literature is as under:

Harris (2007) observed that internet banking is becoming "Need to Have" service. E-banking is one of the most recent technological innovations, which is becoming a need for every common man. It uses

internet as a medium for delivery banking services. Today, banking is not limited to branches, where a person goes to bank for withdrawal of cash or request a statement of accounts or to deposit a check. An inquiry or transaction can be handled online without any reference to the branch any time through internet banking. Benefits of internet banking include fast speed, convenient, cost effective, all time accessibility and flexibility.

Singhal and Padhmanabhan (2008) explored that the major factors responsible for internet banking based on respondents' perception on various internet applications and internet banking increasingly becoming popular because of convenience and flexibility. It also provides a framework of the factors which are taken to assess the internet banking perception.

Shah et al. (2009) found that there is a need to conduct study on corporate customer internet banking adoption behaviour. The data were collected from a survey of 223 business firms selected from the telephone directory in Klang Valley area in Malaysia. They examined the relationship between internet banking adoption and its six factors, namely awareness, ease of use, security, cost, reluctance to change and accessibility. They concluded that four factors examined are significantly important to the adoption of i-banking. However, perceive ease of use and reluctant to change are found to be insignificant in determining its adoption.

Dixit and Datta (2010) investigated that how the customers perceive the value of internet banking over the traditional way of banking. It identified the perceived service quality dimensions of self-service technology (i-banking) and the impact of these perceived service quality dimensions towards customer satisfaction level in Internet banking. Primary data were collected from 250 respondents, through a structured questionnaire. Statistical analysis, descriptive statistics and correlation were used to know the perceived service quality of i-banking and level of satisfaction between customers in India. The study found that many factors such as perceived value, perceived service quality; customer satisfaction and their loyalty have significant impact on a customer acceptance of i-banking.

Koskosas (2011) reviewed that internet banking seeks to show an alternative to banking through “bricks and mortar” and provide an understanding of the pros and cons of going online. Many traditional banks offer some online services, but the very cheapest choices some will find are internet-only banks, which operate specifically online. Customers can get the same services online that are used to from traditional banks, such as checking and savings accounts, CDs and other financial products and services. Those who were interested in paying lower fees for better customer service, they should consider internet banking.

Sharma and Sharma (2011) focused on the perceptions of customers regarding the use of i-banking services. A structured questionnaire was administered to target groups. Customers with at least one year of experience in internet banking are identified by visiting retail/ATM branches of different banks in Chandigarh. A total of 145 questionnaires were obtained from the respondents. Hypotheses were tested at the 5 per cent level of significance. Independent sample *t*-test, ANOVA and Pearson correlation were used. They concluded that banking sector is useful in assessing the impact of information technology and in formulating appropriate strategies for building customer loyalty, thereby enabling them to retain customers.

Goyal and Goyal (2012) studied that an analysis of the differences in risk perceptions between bank customers using i-banking and those not using internet banking was done and the study showed that risk perceptions in terms of financial, psychological and safety risks among customer not using the internet was more meaningful than those using internet banking. Customers not preferring to use i-banking thought that they would be swindled when using this service and therefore, are particularly careful about high risk expectation during money transfers from and between accounts. Private and foreign banks are trying to turn more and more customer towards the usage of internet for the banking transaction.

Rani (2012) investigated that consumer perception toward the usefulness and willingness to use e-banking. Customer satisfaction level towards the e-banking has been identified. A questionnaire has been designed to collect the data from the respondents in Ferozepur district. ANOVA and percentage methods used to analyze the data. The study showed that about 60 per cent people have positive perception about e-banking. In spite of having positive perception about e-banking services only 52.9 per cent respondents are using it frequently. It is concluded that consumers using various services provided by their respective banks and the highest used services are the ATMs and bill payment across various income groups followed by viewing of the account history.

Ganjinia et al. (2013) investigated the impact of online service quality on customer satisfaction in banks of Guilan. Six factors including reliability, responsiveness, competence, ease of use, security and product portfolio identified as dimensions of online services quality. In the study, multiple and linear regression was measured the impact of online service quality on satisfaction. It found that all six factors of online service quality had effect on customer satisfaction of public banks of Guilan.

Nochai and Nochai (2013) examined that the internet banking service dimensions that will have the impact on customer satisfaction among top three banks in the Bangkok; Bangkok Bank, Kasikorn Bank and Siam Commercial Bank. Questionnaires were used to collect data from 450 respondents by using

quota sampling. Multinomial logistic regression analysis was employed to obtain the important internet banking service dimensions that have the impact on customer satisfaction. They concluded that providing 24 hours-7days service, completing a task accurately, contacting staff to check immediately, providing accurate information and up-to-date, transaction process is fast and providing online registration times were the important factors that have the impact on customer satisfaction.

From the above review of studies, it is found that various researchers had studied the aspects of internet banking, its introduction, its development, adoption by the customers, customers' attitude towards the service, its success and security related issues. But, none of them studied the problems faced by customers during the usages of internet banking. Therefore, the present study is undertaken to fill this gap in the existing literature.

Objectives and Methodology

Objective of the Study

The present is conducted to identify the problems faced by customers during the usages of i-banking and to suggest the ways to improve i-banking services.

Research Hypotheses

To validate the results, the following hypothesis have been formulated and tested:

H₀₁: There is no significant difference among the customers' perception towards problems in i-banking.

H_{a1}: There is a significant difference among the customers' perception towards problems in i-banking.

Sample Profile

The present research is of exploratory-cum-descriptive in nature. A sample of 150 respondents, who use internet banking, is taken on the basis of judgement sampling from the Sirsa district of Haryana (Table 1). Majority of respondents *i.e.* 93 (62 per cent) are male and rest of them are female. 65 respondents (43.3 per cent) are from the age-group of 25-30 years and only 3 respondents (2 per cent) are from the age-group of 41-45 years. 73 respondents (48.7 per cent) belong to the income group of Rs.1,00,001-3,00,000 per annum and only 3 respondents (2 per cent) belong to the income group of above Rs.5,00,000 per annum. More respondents having post-graduate qualification *i.e.* 69 respondents (46 per

cent) are using internet banking. On the other hand, 62 respondents (41.3 per cent) are from service class and 42 respondents (28 per cent) are students who use i-banking.

Data Collection and Analysis

The data were collected through a well structured questionnaire. To analyze the data, simple statistical techniques such as frequency distribution, percentage, mean, standard deviation (S.D.) were used. Analysis of Variance (ANOVA) technique has been used to test the hypothesis and validate the results.

Results and Discussions

Table 2 shows that 75 respondents (50 per cent) faced problems due to lack of knowledge and 81 respondents (54 per cent) due to lack of proper guidance. 63 respondents (42 per cent) faced problems due to obsolete/outdated technology. 93 respondents (62 per cent) faced problems due to technical bottlenecks and 67 respondents (44.7 per cent) due to frustration in getting work done electronically. 68 respondents (45.3 per cent) faced problems due to increased work efficiency but reduced personal efficiency and 71 respondents (47.3 per cent) because of strain due to internet banking as compared to manual banking.

Table 3 shows the problems faced by the customers in internet banking. Strain due to e-banking as compared to manual banking is put at the top ($\bar{X}=1.773$, S.D.= 0.898) followed by obsolete/outdated technology ($\bar{X}=1.820$, S.D.= 0.875); lack of knowledge ($\bar{X}=1.900$, S.D.= 0.880) and frustration in getting work done electronically at the last ($\bar{X}=2.580$, S.D.= 1.183) proceeded by lack of proper training ($\bar{X}=2.340$, S.D.= 0.995); increased work efficiency but reduced personal efficiency ($\bar{X}=2.040$, S.D.= 0.933). It is found that there is significant difference between the customers' perception towards lack of knowledge age-wise ($p = .000$, $df = 4,145$), income-wise ($p = .004$, $df = 4,145$) and education-wise ($p = .000$, $df = 3,146$); lack of proper training age-wise ($p = .019$, $df = 4,145$), education-wise ($p = .013$, $df = 3,146$) and occupation-wise ($p = .015$, $df = 3,146$); Obsolete technology age-wise ($p = .000$, $df = 4,145$) and income-wise ($p = .013$, $df = 4,145$); technical bottlenecks age-wise ($p = .000$, $df = 4,145$) and education-wise ($p = .013$, $df = 3,146$); frustration in getting work done electronically age-wise ($p = .005$, $df = 4,145$), income-wise ($p = .000$, $df = 4,145$), education-wise ($p = .000$, $df = 3,146$) and occupation-wise ($p = .001$, $df = 3,146$); increased work efficiency but reduced personal efficiency gender-wise ($p = .013$, $df = 1,148$), age-wise ($p = .003$, $df = 4,145$), and occupation-wise ($p = .000$, $df =$

3,146); and strain due to e-banking as compared to manual banking age-wise ($p = .029$, $df = 4,145$) at 5 per cent level of significance. Therefore, the null hypothesis i.e. there is no significant difference among the customers' perception towards problems in i-banking is rejected.

Conclusion

To sum up, majority of customers are facing problems in the use of i-banking due to lack of knowledge, lack of proper training, outdated technology, technical bottlenecks, frustration in getting work done electronically, increased work efficiency but reduced personal efficiency and faced problems or strain due to internet banking as compared to manual banking. Therefore, it is recommended that banking sector should initiate the steps to create more awareness towards the uses of i-banking at grass root level. The banks should follow easy steps to install various types of softwares on different electronic gadgets as the exploration of i-banking will open more vistas for banking sector and relate itself to other public utility services like direct benefit transfer, gas connection, e-recharge of mobile, data cards, etc. Consequently, it will become a boon in terms of "green banking."

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Table 1: Demographic Profile of Internet Banking Users

	No. of Respondents	Per cent
Gender		
Male	93	62.0
Female	57	38.0
Total	150	100.0
Age		
Below 25	60	40.0
25- 30 years	65	43.3
31-35 years	18	12.0
36-40 years	4	2.7
41-45 years	3	2.0
Total	150	100.0
Income		
Less than 100000	42	28.0
100001-300000	73	48.7
300001-400000	28	18.7
400001-500000	4	2.7
Above 500000	3	2.0
Total	150	100.0
Education		
Under Graduate	9	6.0
Graduate	62	41.3
Post graduate	69	46.0
Any other	10	6.7

Total	150	100.0
Occupation		
Service	62	41.3
Business	25	16.7
Professional	21	14.0
Student	42	28.0
Total	150	100.0

Source: Primary (Questionnaire) (Data processed through the PASW 18.0)

Table 2: Problems faced by Customers while using Internet Banking

Statements		Very much	Much	Little	Very Little	Not at all	Total
Lack of knowledge	N	52	75	9	14	0	150
	%	34.7	50.0	6.0	9.3	0	100
Lack of proper guidance	N	23	81	24	16	6	150
	%	15.3	54.0	16.0	10.7	4.0	100
Obsolete technology	N	62	63	16	8	1	150
	%	41.3	42.0	10.7	5.3	.7	100
Technical bottlenecks	N	37	93	14	6	0	150
	%	24.7	62.0	9.3	4.0	0	100
Frustration in getting work done electronically	N	23	67	23	24	13	150
	%	15.3	44.7	15.3	16.0	8.7	100
Increased work efficiency but reduced personal efficiency	N	45	68	26	8	3	150
	%	30.0	45.3	17.3	5.3	2.0	100
Strain due to internet banking as compared to manual banking	N	71	50	23	4	2	150
	%	47.3	33.3	15.3	2.7	1.3	100

Source: Primary (Questionnaire) (Data processed through the PASW 18.0)

Table 3: Confirmatory Data Analysis of Problems faced by Customers in Internet Banking

Statements	DESCRIPTIVE STATISTICS		INFERENTIAL STATISTICS									
			Gender (df=1,148)		Age (df=4,145)		Income (df=4,145)		Education (df=3,146)		Occupation (df=3,146)	
	Mean	S.D	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.
Lack of knowledge	1.900	.880	.192	.662	8.534	.000*	3.986	.004*	6.339	.000*	2.567	.057
Lack of proper training	2.340	.995	.011	.917	3.065	.019*	1.898	.114	3.741	.013*	3.592	.015*
Obsolete technology	1.820	.875	.391	.533	7.197	.000*	3.271	.013*	1.377	.252	2.135	.098
Technical bottlenecks	1.926	.705	.828	.364	9.271	.000*	1.393	.239	4.965	.003*	.500	.683
Frustration in getting work done electronically	2.580	1.183	1.277	.260	3.879	.005*	5.950	.000*	13.429	.000*	6.256	.001*
Increased work efficiency but reduced personal efficiency	2.040	.933	6.335	.013*	4.195	.003*	1.532	.196	2.019	.114	9.145	.000*
Strain due to e-banking as compared to manual banking	1.773	.898	.848	.359	2.780	.029*	1.830	.126	2.011	.115	1.723	.165

Source: Primary (Data processed through PASW 18.0) (* Significant value at the 0.05 per cent)