

Factors Influencing Customer Preferences of E-Banking Services of Selected Public Sector Banks in Coimbatore District

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ABSTRACT

Electronic banking is defines 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.. E-banking and Mobile Banking facilitate to transfer funds electronically with the use of computer and other portable electronic components by using credit cards and ATM cum debit card. It allows customers to automate cash receipt payment. Increased productivity and cutting of transaction costs are the most obvious benefits of e-banking. Banks can expect to save a lot of the cost of maintaining their large physical distribution systems by adopting Internet banking. Although many financial institutions have realized the advantages of Internet banking and launched this service, the companies have not been able to optimize the benefits because some consumers are not aware of the services or reluctant to adopt Internet banking. Therefore, financial institutions need to make efforts to provide information on Internet banking based on accurate customer segmentation. The present work focuses on the factors that influence the customer preference of e-banking services of selected public sector banks in Coimbatore District.

Keywords--- E-banking, traditional banking, mobile banking, credit card, ATM card.

I. INTRODUCTION OF E-BANKING SERVICES

The banking system in India has played an important role in Indian economy. It plays key role in social and economic changes since nationalization of major banks in 1969. At present 290 banks are operating in the country, consisting of 27 public sector banks, 30 private sector banks and 32 foreign banks, 196 regional banks and 5 non-scheduled local area banks. Private sector banks have share of 8.5 percent in branch network with 5,737 branches of

which 50 percent are in urban and metro cities. Over 90 percent branches operating in the country are owned by Public sector banks, of which 70 percent are located in rural and semi-rural areas.

The technological and economical changes brought with it new mix of players in the form of public sector banks, private sector banks and foreign banks. The competition among these players has increased the expectations of customers who now want new products with faster delivery at cheaper and affordable cost. These expectations are more with the private sector and foreign banks because they are the new entrants on the banking scene with better technology, faster delivery, and customer centric polices. The private sector banks have advantage over public sector units in terms of technology, innovation of services. But these banks also need to prove in terms of service charges and understanding of customer needs.

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 banks².

II. STATEMENT OF THE PROBLEM

The banks offering Value Added Services like bill payments, transfer of money, enquiring account balances, buying and selling of financial instruments such as securities, credit cards, mutual funds, ATM cum debit card, insurance policy, demat accounts and foreign currency. Creation of all those facilities involves very huge investment. So its most important to increase the usage of Value Added Services among the customers to improve the operational efficiency and get maximum benefit from the investment made in these facilities. In order to increase the number of customers using these facilities, it is imperative to

understand the customers awareness and preference for use of Value Added Services, the factors that influence the adoption of these facilities, problems encountered in using Value Added Services and customers' expectations . It is vital to study the factors influencing the customer preferences of e-banking services and their perceptions .

III.OBJECTIVES OF THE STUDY

The following are the objective of the study:

To study about the perceptions and preferences of e-banking services provided by the banks in the selected study area.

IV.SIGNIFICANCE OF THE STUDY

In the recent past a few private sector banks have been established with the latest technology. Foreign banks located at major commercial Unit of the country also transact their business in a computerized environment. The level and extent of automation in the banks are generally vary because of their history, work culture and policies/strategies adopted by their management in branch expansion and investment in technology. So it is predominant to analyse the role of technology and the level of satisfaction of banking customers based on the electronic services provided by the banks irrespective of their operational location which includes Urban, Rural and Semi-urban. The banking environment is customer driven and it is the need of the hour to study how the technological advancements increases the customer friendly banking with the help of electronic channels.

V. REASONS FOR LOCATION OF RESEARCH

5.1 Selection and Description of The State

The objectives of the study warranted the selection of a state where predominant banking activities are carried out. Among the states of India, the choice had fallen on Tamil Nadu for the conduct of the present study. The major reasons for the selection of this state were; Tamilnadu state occupies 5th position in the country on its size, it has a vast potential and scope for the banking activities and Tamil Nadu has a predominant agriculture involvement as well as industrial involvement that may bring to limelight still more banking organisations successfully in the future also.

5.2 Selection of the District

Coimbatore has been chosen for this investigation due to many reasons highlighted here. It is the 3rd largest city in Tamil Nadu. It is poised for a spectacular growth in the near future. The Coimbatore District ranks second to Chennai on the availability of commercial bank branches. Since the position of Chennai may be due to its supreme status as capital and involved in serving more number of urban population it was rejected.

VI. FIELD WORK FOR DATA COLLECTION

The researcher herself has collected the responses by making personal visits to the respondents are their convenience.

VII. SAMPLING DESIGN

The Sample Design is presented in the following table:

TABLE – 1.1
SAMPLING DESIGN

S.NO	TYPES OF THE BANK	TOTAL NUMBER OF BANKS IN THE UNIVERSE AS ON 31-03-2011	TOTAL NUMBER OF SAMPLES	TOTAL NUMBER OF SAMPLE CUSTOMERS
1	Public Sector Banks	322	60	300

Source: Coimbatore District lead bank office, District Industries Centre, District profile.

There are 445 Bank branches are functioning in the District as on 31-03-2011 of which 322 are Public Sector are 123 Private sector. A sample of 60 public sector banks were selected for the study (nearly 15%) and 5 questionnaires are issued to customer belongs to each bank which results the total sample of 300 customers.

VIII. STATISTICAL TOOLS USED FOR ANALYSIS

The primary data have been collected from the potential respondents from different areas and has been properly sorted, classified, edited, tabulated in a proper format and analyzed by deploying appropriate statistical tools. To identify the preferences of the customers Factor Analysis method has been employed. It is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis is reduced by splitting the sample randomly into two and extracting factors separately from both parts.

TABLE 1.1
COMMUNALITIES FOR FACTORS RELATED
PERCEPTION AND PREFERENCE OF E-BANKING
SERVICES

S.NO.	ITEMS	Initial	Extraction(h2)
X1	E-Banking is easily available	1.000	.663
X2	E-Banking gives more knowledge to the customer	1.000	.653
X3	E-Banking is more flexible	1.000	.605
X4	E-Banking provides competitive advantage in e-age	1.000	.401
X5	E-Banking enables customers to use e-channels without any problem	1.000	.473
X6	E-Banking enables immediate availability of accurate information about customers feedback	1.000	.583
X7	E-Banking helps in customizing solution to fulfill client's requirement	1.000	.640
X8	E-Banking makes work more easier	1.000	.585
X9	E-Banking reduces paperwork	1.000	.400
X10	E-Banking speeds up the delivery time	1.000	.632
X11	E-Banking helps in reducing the work stress	1.000	.632
X12	E-Banking increase interest in work	1.000	.565
X13	E-Banking increases level of motivation	1.000	.617
X14	Banks can face competition by using more information technology.	1.000	.508

The above table 1.1 (Communalities) represents the application of the Factor Extraction Process, it was performed by Principal Component Analysis to identify the number of factors to be extracted from the data and by specifying the most commonly used Varimax rotation method. In the principal component analysis, total variance in the data is considered. The proportion of the variance is explained by the fourteen factors in each variable. The proportion of variance is explained by the common factors called communalities of the variance. Principal Component Analysis works on initial assumption that all the variance is common. Therefore, before extraction the communalities are all 1.000. Then the most common approach for determining the number of factors to retain i.e., examining Eigen values was done.

TABLE No. 1.2
ROTATED COMPONENT MATRIX FOR FACTORS
RELATED TO PERCEPTION OF E-BANKING
SERVICES

Variable code	Component			
	I	II	III	IV
x10	.757	.232	.063	.041
x12	.720	.210	.042	-.032
x8	.651	-.151	.372	-.005
X9	.501	.159	.302	.111
x13	.166	.752	.119	-.096
X11	.458	.647	-.035	.059
X4	.029	.511	.294	.197
X14	.412	.463	.209	-.283
X6	.143	.090	.741	.072
X7	.157	.315	.695	-.180
X5	.114	.046	.643	.211
X2	.054	.062	.111	.796
X1	.111	-.180	-.017	.786
x3	-.287	.393	.180	.579

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 12 iterations.

Table 1.2 represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are the factor loadings which represents the correlation between the factors and the fourteen variables (X₁ to X₁₄). From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable X₁₀(E-Banking speeds up the delivery time), X₁₂(E-Banking increase interest in work), X₈ (E-Banking makes work more easier) and X₉ (E-Banking reduces paperwork) that is, 0.757, 0.720, 0.651 and 0.501 respectively. Similarly factor-II has high absolute correlation with variable X₁₃(E-Banking increases level of motivation), X₁₁ (E-Banking helps in reducing the work stress), X₄ (E-Banking provides competitive advantage in e-age) and X₁₄ (Banks can face competition by using more information technology) that is, 0.752, 0.647, 0.511, and 0.463 respectively..

TABLE 1.3
THE FACTORS RELATED TO T PERCEPTION AND PREFERENCE OF E-BANKING SERVICES

x10	E-Banking speeds up the delivery time	0.57%	Factor I
x12	E-Banking increase interest in work	0.52%	
x8	E-Banking makes work more easier	0.42%	
X9	E-Banking reduces paperwork	0.25%	
x13	E-Banking increases level of motivation	0.57%	Factor II
X11	E-Banking helps in reducing the work stress	0.42%	
X4	E-Banking provides competitive advantage in e-age	0.26%	
X14	Banks can face competition by using more information technology.	0.21%	
X6	E-Banking enables immediate availability of accurate information about customers feedback	0.55%	Factor III
X7	E-Banking helps in customizing solution to fulfill client's requirement	0.48%	
X5	E-Banking enables customers to use e-channels without any problem	0.41%	
X2	E-Banking gives more knowledge to the customer	0.63%	Factor IV
X1	E-Banking is easily available	0.62	
x3	E-Banking is more flexible	0.34	

The factor III has high absolute correlation with variable X₆(E-Banking enables immediate availability of accurate information about customers feedback), X₇(E-Banking helps in customizing solution to fulfill client's requirement) and X₅ (E-Banking enables customers to use e-channels without any problem) that is, 0.741,0.695 and 0.643 respectively. Factor-IV has high absolute correlation with variable X₂(E-Banking gives more knowledge to the customer), X₁(E-Banking is easily available) and X₃(E-Banking is more flexible) that is, 0.796, 0.786 and 0.579

respectively. For example in this study, factor one is at least somewhat correlated with twelve variable out of the fourteen variables with absolute value of factor loading greater than or equal to 0.5. In such a complex matrix it is difficult to interpret the factor. So we proceed to compute the rotated factor matrix Thus the fourteen factors have been reduced to four variables which influences the preferences of e-banking services.

IX.CONCLUSION

Today the banking industry is the industry of revolution. Banking business is very sensitive as it deals in money and service. Increasing competition has become a challenge for Indian banks but it also provides thoughtful opportunities to develop the banking business as per international standards. The technology holds the key to success of Indian banks as India could leap-frog into internet banking quicker than the United States provided Indian banks grab the opportunity. To make a strong bond between bank and its customers are a must. Internet banking is a tool to make customers satisfied because banking is a both way game. It must be ensured that the bank is in cost advantageous position and getting the service easily satisfies the customer through electronic channel by providing at most satisfaction .

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