

PROJECT REPORT

ON

INTERNET BANKING IN INDIA

A project report Submitted to the department of Commerce, Amguri College in Partial Fulfilment of the Requirement of the Degree of Bachelor of Commerce in education of Dibrugarh University.



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A Study on Customer Perception Towards Internet Banking: Identifying Major Contributing Factors

Internet banking is becoming increasingly becoming popular because of convenience and flexibility. The present paper explores the major factors responsible for internet banking based on respondents' perception on various internet applications. It also provides a framework of the factors which are taken to assess the internet banking perception.

Key words: Internet banking, online, Bank, perception, e-banking

Introduction

Internet banking is the term used for new age banking system. Internet banking is also called as online banking and it is an outgrowth of PC banking. Internet banking uses the internet as the delivery channel by which to conduct banking activity, for example, transferring funds, paying bills, viewing checking and savings account balances, paying mortgages and purchasing financial instruments and certificates of deposits (Haque et al, 2009). Internet banking is a result of explored possibility to use internet application in one of the various domains of commerce. It is difficult to infer whether the internet tool has been applied for convenience of bankers or for the customers' convenience. But ultimately it contributes in increasing the efficiency of the banking operation as well providing more convenience to customers. Without even interacting with the bankers, customers transact from one corner of the country to another corner.

There are many advantages of online Banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a minuscule cost (IAMAI's, 2006). Electronic banking has experienced explosive growth and has transformed traditional practices in banking (Gonzalez et al., 2008).

Private Banks in India were the first to implement internet banking services in the banking industry. Private Banks, due to late entry into the industry, understood that the establishing network in remote corners of the country is a very difficult task. It was clear to them that the only way to stay connected to the customers at any place and at anytime is through internet applications. They took the internet applications as a weapon of competitive advantage to corner the great monoliths like State Bank of India, Indian Bank etc. Private Banks are pioneer in India to explore the versatility of internet applications in delivering services to customers.

As per prediction of Broadie et al(2007)the e- banking is leading to a paradigm shift in marketing practices resulting in high performance in the banking industry. Delivery of service in banking can be provided efficiently only when the back ground operations are efficient. An efficient back ground operation can be conducted only when it is integrated by an electronic system. The components like data, hardware, software, network and people are the essential elements of the system. Banking customers get satisfied with the system when it provides them maximum convenience and comfort while transacting with the bank. Internet enabled electronic system facilitate the operation to fetch these result.

An in-depth analysis would help to understand that internet enabled electronic bank system differentiates from traditional banking operation through faster delivery of information from the customer and service provider. Additionally, it has to be noted that the banking operations does not transfer physical currencies instead it transfer the information about the value for currencies. I-banks enable transfer of information more swiftly on-line. (Salawu et.al, 2007). In service organizations like banks, information flows more than physical items. In the commercial world, especially in most advanced societies today, money is rather carried in information storage medium such as cheques, credit cards and electronic means that in its pure cash form. According to christopher et al (2006), E banking has become an important channel to sell the products and services and is perceived to be necessity in order to stay profitable in successful.

The perception is the formed as a result of interpreting the experience. There is a growing interest in understanding the users' experience (Hiltunen et al., 2002 .); as it is observed as a larger concept than user satisfaction. From this perspective, assessing the user experience is essential for many technology products and services (Wilson & Sasse, 2004)

Customers have started perceiving the services of bank through internet as a prime attractive feature than any other prime product features of the bank. Customers have started evaluating the banks based on the convenience and comforts it provides to them. Bankers have started developing various product features and services using internet applications.

Objective

The present study aims to explore the major factors responsible for internet banking based on respondents' perception on various internet applications.

Study also tries to examine whether there is any relation with the demographic variable (e.g. gender) and respondents' perception about internet banking; and, whether the user and non-user perception differs.

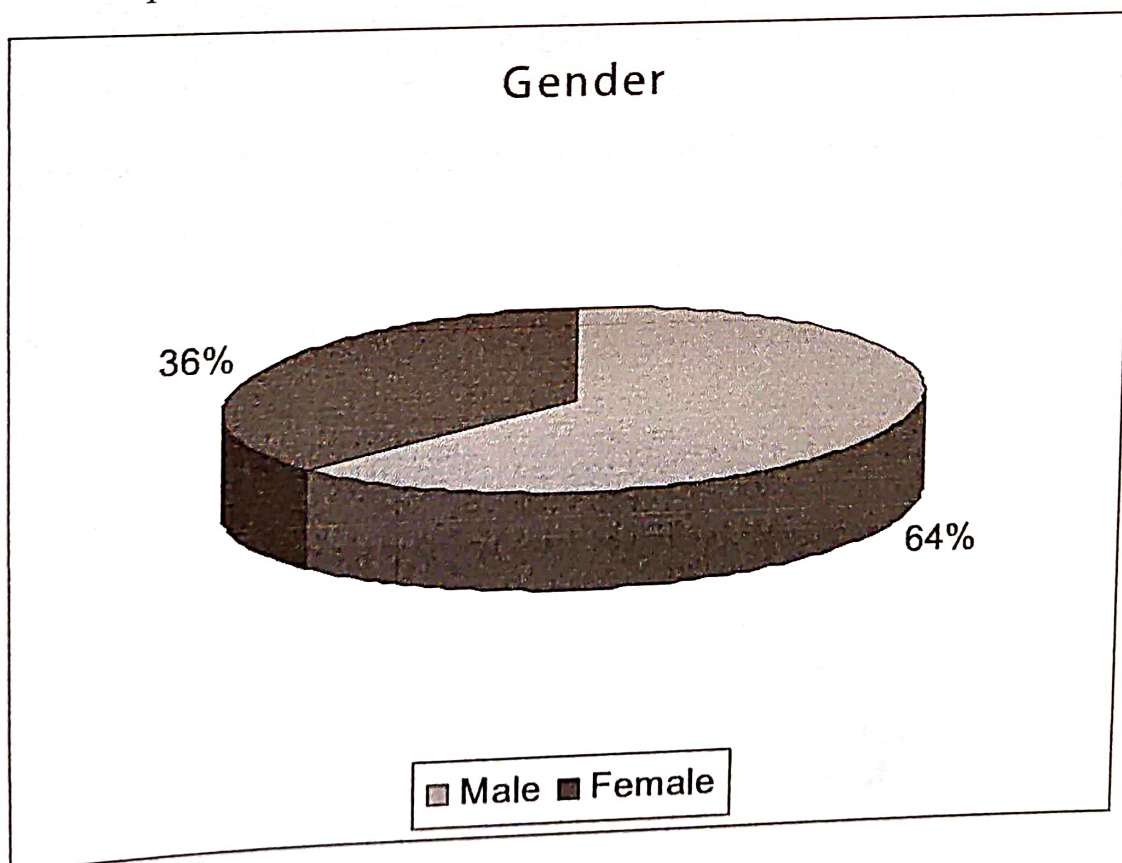
Methodology

The study employs primary data as well as secondary data. Secondary data was collected from different published sources. Primary data was collected by structured survey. The survey was created online and link sent to the respondents from India using convenience sampling. The respondents, who were approached through email, were 80. Of these, 61 responses were received, giving a response rate of 76.0 percent.

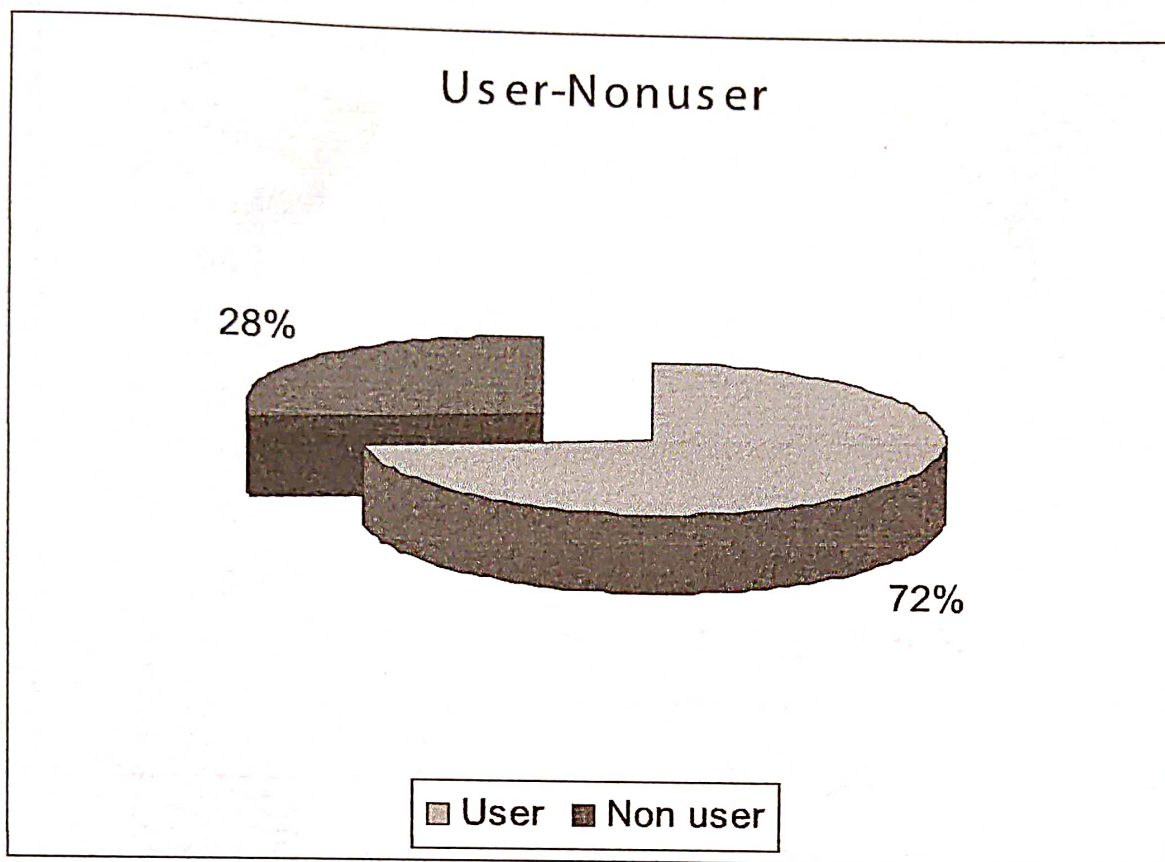
In the questionnaire, various internet banking applications were included from previous research. Later, structured questionnaire containing 32 items was developed (18 for general perception and 15 for internet banking features) for the purpose of data collection. All items were measured by responses on a five-point Likert scale in agreement/ relevance with statements, ranging from 1= Strongly Disagree/ Completely Irrelevant to 5= Strongly Agree/ Completely Relevant. The analysis of primary data was carried out using Statistical Package for the Social Sciences (SPSS) 16.0 for windows.

Sample Profile

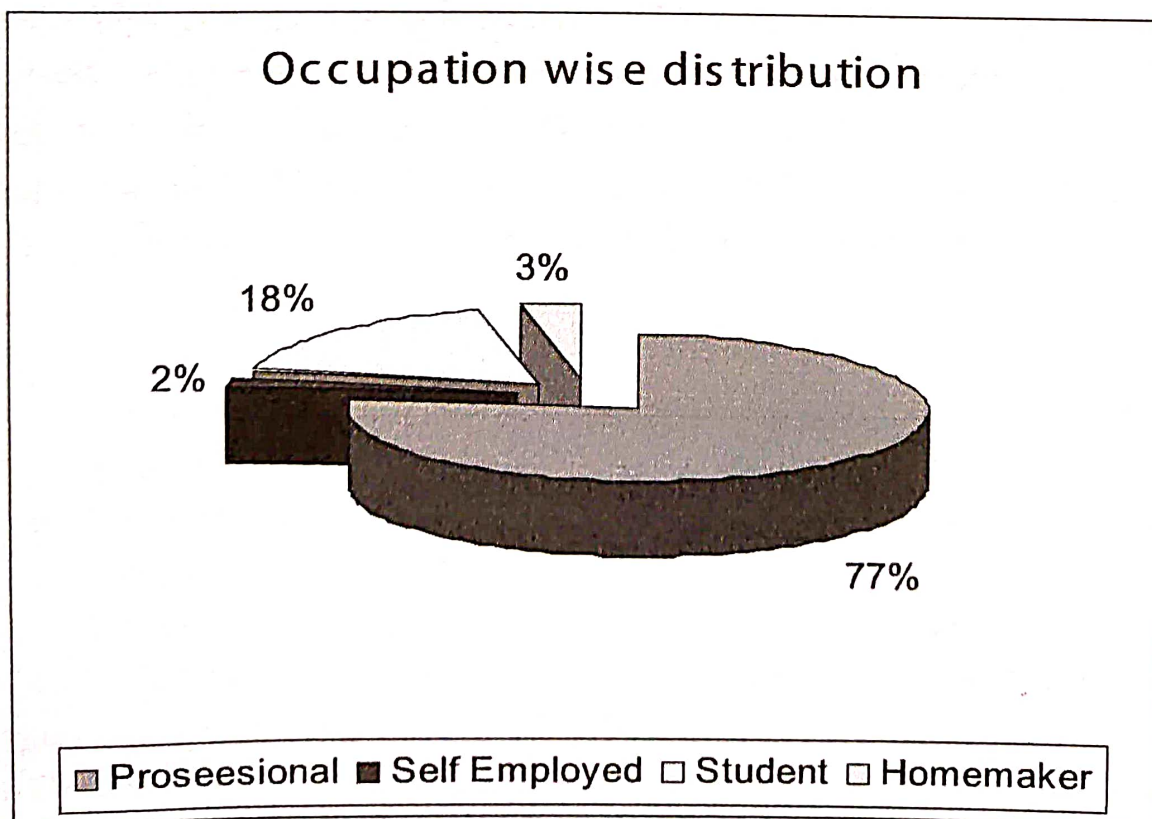
From the total respondents' 64% were males and 36% were females.



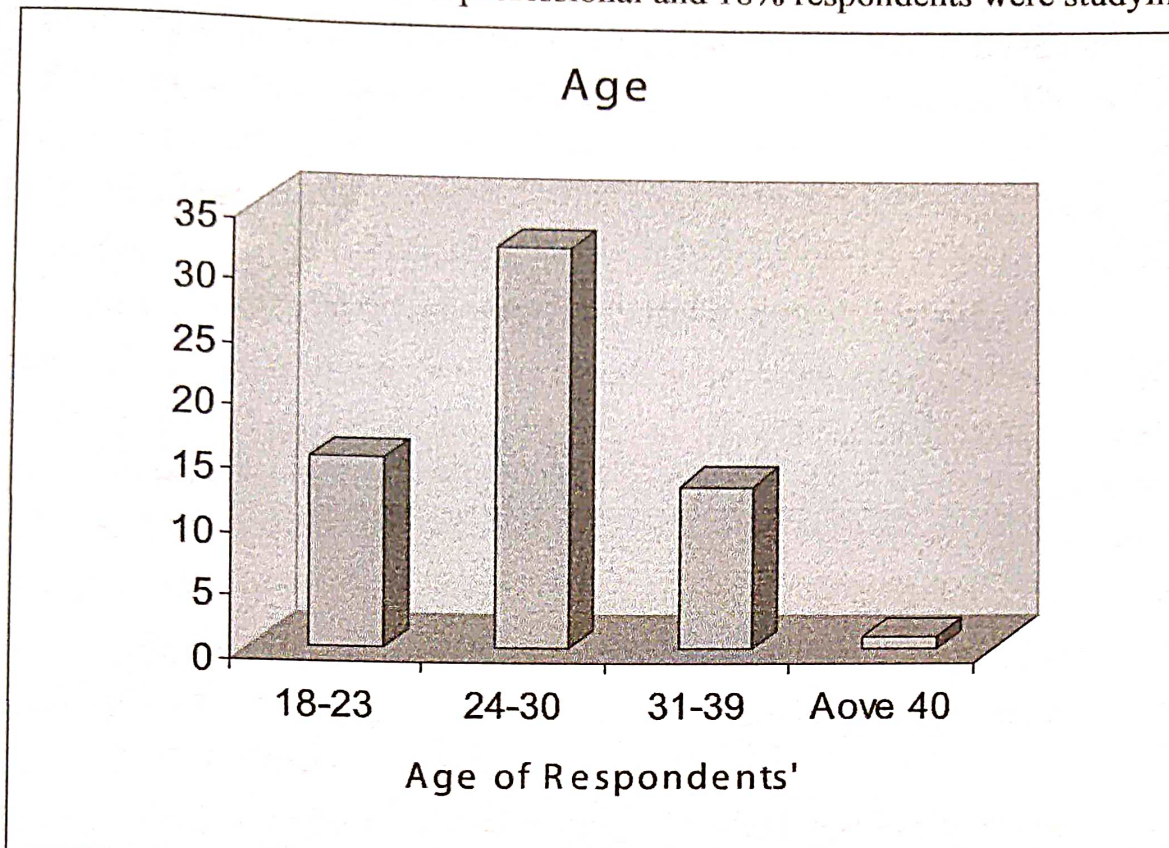
The chart below depicts the respondents classification based on user and non user criteria. Out of total respondents' 44 respondents were internet banking users' and 14 were non users.



Most of the respondents belongs to the age group of 24-30, while 18-23 and 31-39 age group respondents were almost equal in number.



Out of total respondents' 77% were professional and 18% respondents were studying.



Framework of the factors

As mentioned that survey focuses on the finding the customers' perception on various internet application related with internet banking. Various factors which contribute to the customers' perception such as convenience, flexible virtual banking system, reliability, time factor, real time access to information, saving transaction cost, on-line bill payments, digital signature for security, faster transfer, easy to use, user friendly, low transaction fees, any time and anywhere banking facility, access to current and historical transaction data, facility of fund transfer to third party are taken for this study. These factors came from different studies.

The Framework of the factors which are taken to assess the perception is as follows:

1. Convenience way of operating banking transactions: Online banking is a highly profitable channel for financial institutions. It provides customers convenience and flexibility and can be provided at a lower cost than traditional branch banking (Williamson, 2006). The convenience of online banking is helping people gain greater control of their finances and contributing to changing patterns in cash withdrawal and day to day money management. (Beer, 2006)
2. Flexible virtual banking system: Financial institutions have spent a great deal of time and money developing online banking functionality to allow customers an easy and