

# AN EMPIRICAL STUDY ON CUSTOMER BEHAVIOR TOWARDS ONLINE BANKING SERVICES IN UNA DISTRICT, HIMACHAL PRADESH

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**ABSTRACT**--*Different banks offer different services according to their customer's demand and preference. In the current scenario, online banking services changes as the advance technologies introduced day by day and transform the face of traditional banking services. Now most of the banking services are available online or in electronic mode, which customers can use as per their convenience. The objective of this paper was to identify the preference of the customers regarding online banking services in Una region and to know the constraints faced by them while availing the same. The study was empirical in nature, for that total 250 respondents were selected from rural as well as from urban areas of Una based on random sampling technique, out of those 50 were not availing online banking services. So, only 200 valid responses were generated. Only commercial banks were considered for the study and data was collected through standardized questionnaire based on five -point likert scale. For analysis, the data descriptive statistics and factor analysis method were applied with the help of SPSS 23 version.*

**Keywords**--*Customer Behavior, Online Banking, Digitalization, Modern Technology.*

## I. INTRODUCTION

For the growth of any economy, financial sector plays a very important role. Financial inclusion provides the path in which an economy reaches the goal of growth. Economic development of any country is largely inclined towards the advancement of the financial and banking sector of that country. In the current epoch, banking and financial sector influenced by the adoption of technology and the demand increased endlessly.

To encounter these ordinate transcripts adoption of emerging advanced technology in banking sector is requisite to accommodate surviving customer and to influence more customers withal. The banking sector is gradually mounting which facilitate the appropriate application of financial resources, immensely massive flow of investment, intermediation activities as well as operating in a speedily modernizing industry so as to its customers.

As time changes, the face of the financial and banking sector also changes with the introduction of new and modern technologies. In digital financial inclusion, banks provide financial services through digital mode like ATMs, Credit card, Debit card, Smart card, Mobile banking and Internet banking.

With the help of digitalization, financial services are available to those people who are not able to avail the financial services due to the geographical location (i.e. rural people and people living in hilly areas). Mobile phones play a very important role in promoting online banking services in developing countries and with the increase in usage of

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mobile phone and internet people can now pay bills, transfer money and easily access their bank accounts from their convenient place.

Various Online banking services offered by different banks in India include Real Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT), Immediate Payment Service (IMPS), Electronic Clearing Services (ECS), Credit and Debit card, Bharat Bill Payment System and Cheque Truncation System (CTS) or Image-based Clearing System (IBCS).

National Payment Cooperation of India (NPCI) developed an app named as Bharat Interface for Money (BHIM) based on Unified Payments Interface (UPI). It was launched by PM Narendra Modi on 30 December 2016. Major steps were taken by the government to promote the concept of digital India where Aadhar is linked to customer's bank accounts to promote the digital money transfer. Another major step was demonetization implemented by Prime Minister Narendra Modi to reduce the black money in an economy and to promote the digital and cashless transactions.

As a result of the huge developments in technology, the electronic banking services have emerged with a view of securing competency and quality in transactions (Ito, Hiroya, & Hitachi, 2000). Since, Internet has become a possession of all people, the big banks have entered internet usage into its systems and commenced to use and present it to their clients to attract more clients. A research study examined that clients can be encouraged by integrating the electronic system and build customer relationship (Rexha, Kingshott, & Shang, 2003).

Consumer Behavior plays a very crucial role in the success of online banking services. It is related to factors such as age, occupation, education and many more. The success of any scheme and strategy depend mostly on customer's behavior and their agility to adopt the changes. In India, government and RBI introduced various schemes with the help of banks to promote digital financial transactions however still cash transaction is preferred by the masses as they feel insecure to use the digital format in their day to day business. So, still there is a need to research and implement the policies and technology.

## **II. LITERATURE REVIEW**

Dhananjay & Chandra (2015) researcher observed significant difference when they compare the figures pertaining to electronic products for before the formation of NPCI and after the formation of NPCI. They find that National Payments Corporation of India has given a fillip to development of electronic banking. After the formation of NPCI, there is a significant growth in electronic banking such as electronic clearing products such as National Electronic Funds Transfer, ECS (Debit), and Card Products.

Basavarajappa (2015) researcher focus on the customer satisfaction towards online banking in Karnataka, what are problems facing by customers. The study concluded that in all respects the customers are satisfied with their internet bank. Major concerns of customers include security and privacy because of the growing number of online frauds, cheating cases and hacking.

Chandran, R. (2014) researcher says that over the years, banking has transcended from a traditional brick-and mortar model of customers queuing for services in the banks to modern day banking where banks can be reached at any point for their services. It is well recognized that mobile phones have immense potential of conducting financial transactions thus leading the financial growth with lot of convenience and much reduced cost. For

inclusive growth, the benefits of mobile banking should reach to the common man at the remotest locations in the country.

Chuchuen, C. (2016) he says there are many factors that relate in M-banking adoption process. This paper demonstrates a conceptual model and propositions for identifying Thai adopter factors of M-banking adoption for improving the M-banking adoption process especially in term of M-banking providers. Finally, the relationship between M-banking intention and M-banking adoption which refers to satisfaction showed that any customers have high expectations toward M-banking.

Anita (2014) in her research article presented the customer satisfaction level between public and private sector banks to get a bird's eye view of customer satisfaction practices being adopted by selected banks. It was also analyzed that customers were more satisfied with the private sector banks than public sector banks and customer satisfaction is largely dependent upon products availability in the banks rather than locations of the bank.

Shubhara Jindal, (2016) observes that, E-Banking is the opportunity for banks in India to improvise their customer base and thus maximize their profits. However, only such banks will survive who can with stand the changes as per technological advancements and their success depends on the customer satisfaction level.

Dr. Nitin Gupta & Shivangi Gupta, (2017) suggests that giving an indirect tax rebate for using cashless methods of payment will bring parity between cash and cashless payments. The merchants are to be asked to charge less for digital payments. This will boost the digital payments.

Reeta and Manju Asht, (2016), This particular paper endeavors to explore the sundry online customer services provided by the banking industry in India and additionally discussed the magnification rate and future prospects of the e-banking services provided by the Indian banks in this regard. After visually perceiving the growth rate of e-banking services it can be verbalized that e-banking is accepted in the banking sector and an abundance of work can be done in this sector to make it more advance, safe and more expeditious accommodation provider in finance sector.

S. Sameena, DR. R. T. Saroja (2018) The researchers have concluded in their study that majority of the customers are better salaried so steps should be taken to increase the number of customers who are having business and also have to penetrate more in to the professional people's market. So that the bank can increase the market share. Also the bank has to deploy more money on advertisements and for employing more sales officers in order to increase awareness level of E-banking.

### **III. OBJECTIVES**

1. To know the preference of the customers regarding online banking services.
2. To know the constraints faced by the customers while adopting and performing online banking services.

### **IV. RESEARCH METHODOLOGY**

#### ***Research Design and Sampling Technique***

The present study was empirical in nature and emphasis was on customer's behavior towards online banking services in Una, Himachal Pradesh. Quantitative research design has been used to conduct the study. Total 250

respondents were selected from rural as well as from urban areas of Una based on random sampling technique, Out of those 50 were not availing online banking service. So, only 200 valid responses were generated and only commercials banks were considered for the study.

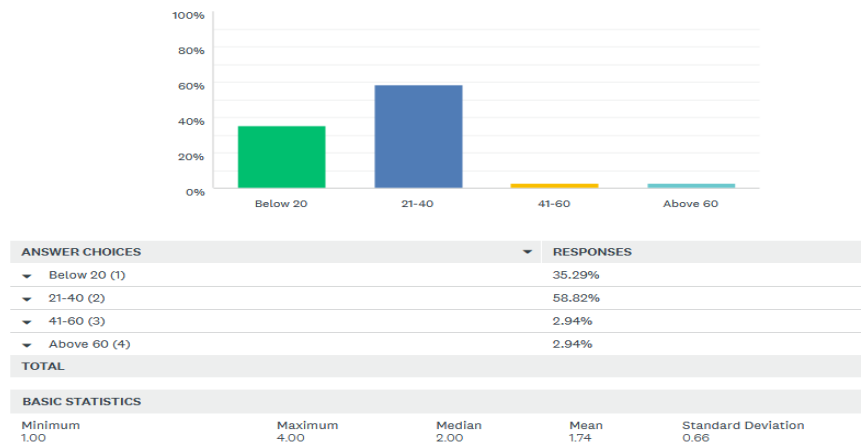
## V. Data Collection Method

Data collection was done from both primary and secondary sources. For primary data collection, structured questionnaire based on five-point likert scale was used to gather the data from the customers of various commercial banks. Online survey method had been used for the collection of primary data conducted in September – October 2019. On the other hand, secondary data was collected through the research papers published or not published, website, research articles, research thesis etc.

## VI. ANALYSIS

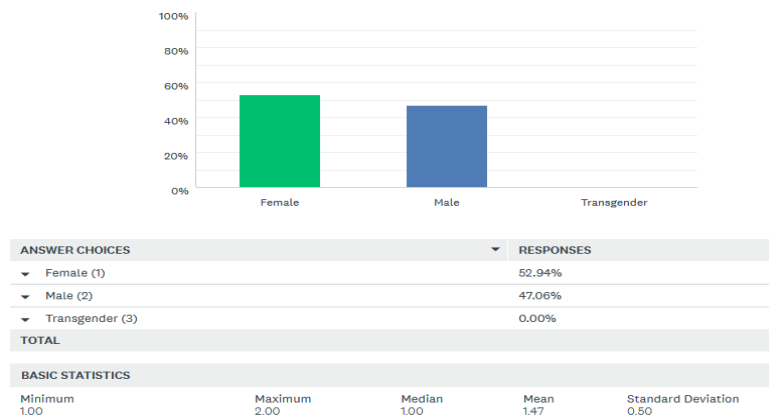
### 5.1 Demographics

The demographic profiles of the respondents are revealed in bar charts.



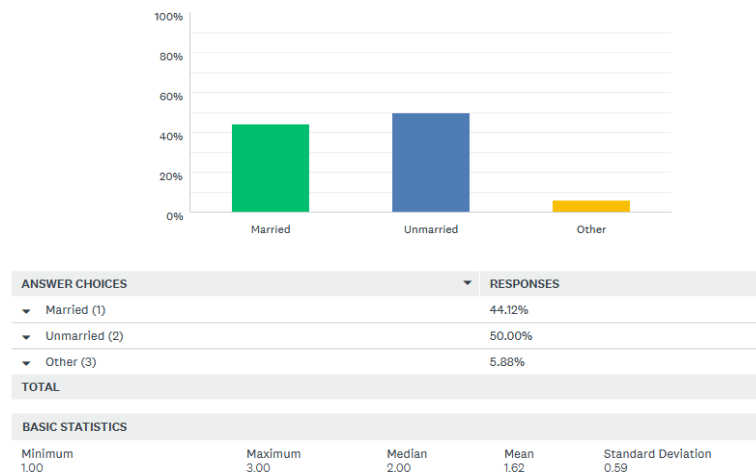
**Figure 1:** Age of the respondents

As per the result, 35.2% of the respondents belong to the age group of below 20 years, 58.82% are from 21-40 years of age, where as 2.94 % are belongs to 41-60 and above 60 years.



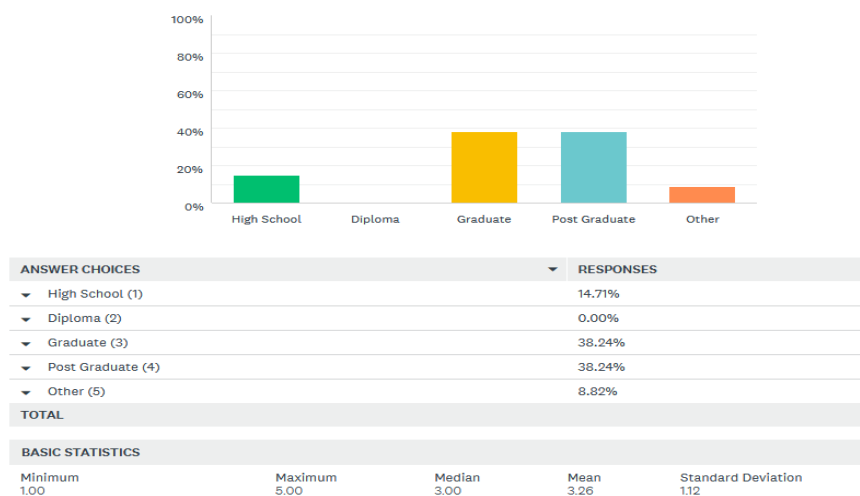
**Figure 2:** Gender of the respondent

According to the result, 52.94 % of the respondents are Female and 47.06 % are Male. Mean value is greater than median i.e. 1.47.



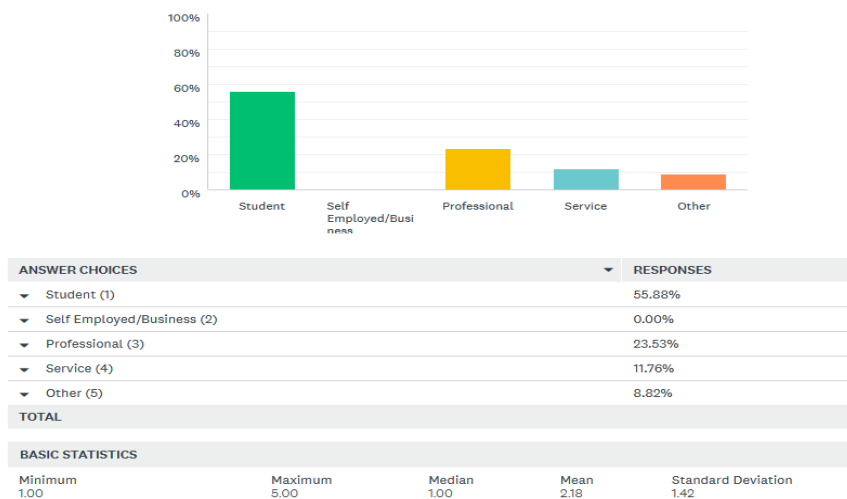
**Figure 3: Marital Status**

From the above figure it is found that 44.12% respondents are married and 50.00% are unmarried respondents. Whereas 5.88% are belongs to other category.



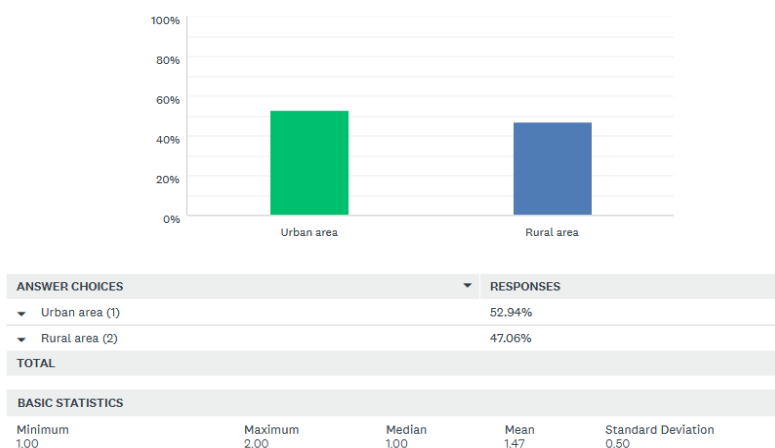
**Figure 4: Educational Qualification**

As per result, most of the respondents are post graduate and graduate with 38.24%, 14.71% respondents are having educational qualification up to high school and 8.82% are having other educational qualification.



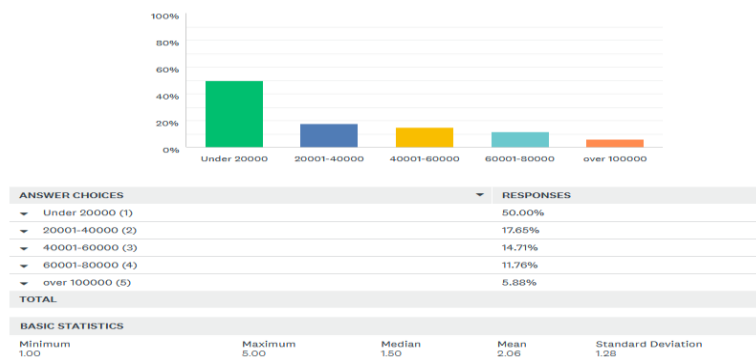
**Figure 5: Occupation**

Most of the respondents are students i.e. 55.88%, 23.53% are professional and 11.76% are belongs to service class. Only 8.82% are cover under other occupation.



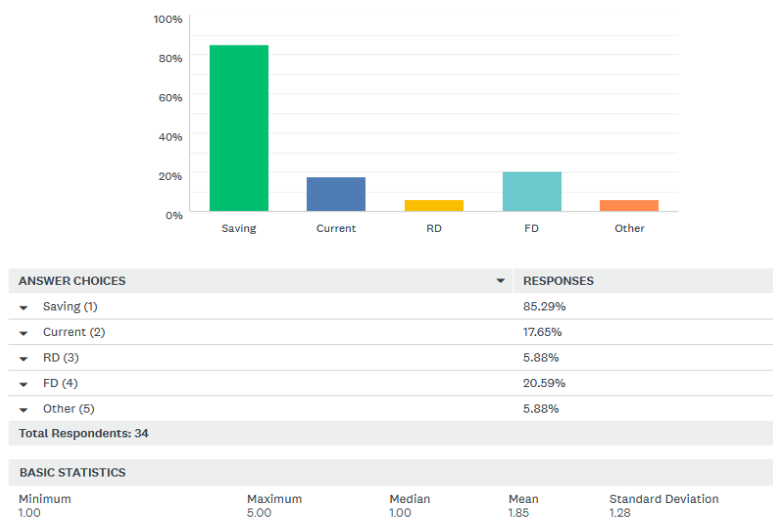
**Figure 6: Where do you live**

Out of 100%, 52.94% respondents are living in urban areas whereas 47.06% are living in rural areas.



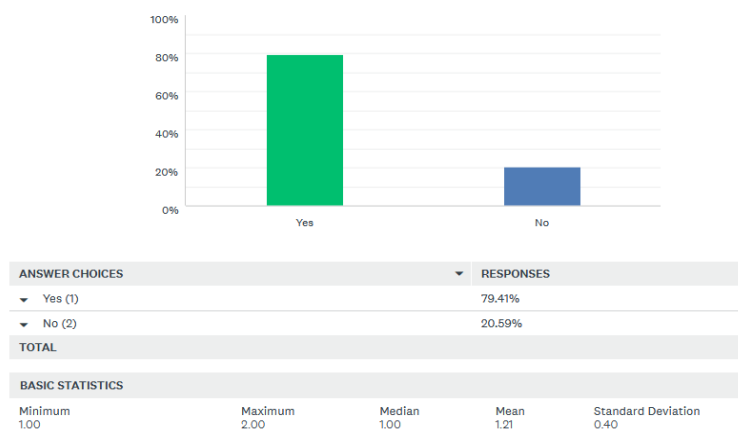
**Figure 7: Monthly Income**

As per the income is concern, most of the respondents are belongs to under 20000 income range, 17.65 % covered under 20001-40000 range, 14.71 % are in 40001-60000 range, 11.76% are in 60001-80000 range and rest 5.88% are belongs to over 80000 range.



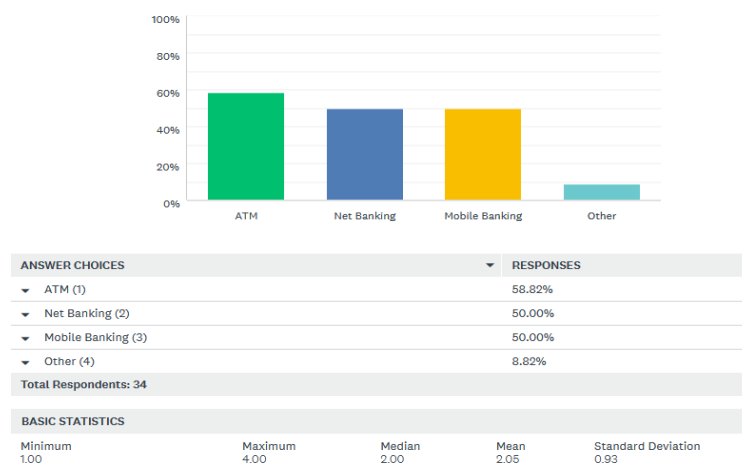
**Figure 8:** Which type of bank account do you have

Most of the respondents are having saving accounts i.e. 85.29% whereas 20.59% are having Fixed Deposits (FD), 17.65% having current account and 5.88% respondents are having recurring deposit and other kind of account.



**Figure 9:** Are you using the online banking services

As per the result, most of the respondents are using online banking services in Una i.e. 79.41% and rest 20.59% are those respondents who are not using online banking services.



**Figure 10:** Which online banking channel do you typically use

Most of the respondents are using ATM with the percentage of 58.82, 50% of them are using net banking and mobile banking, whereas 8.82% are using other mode of online banking services.

### 5.2 Adequacy and Purification

By conducting Factor Analysis test the researcher can evaluate the sampling adequacy and sphericity. Hence in this research this test has been inculcated. In order to analyse if the data collected is fit for conducting Factor Analysis, KMO (Kaiser Meyer Oklin) test was executed on the available data before applying factor analysis test on the same. The value of KMO is 0.655 and there is no multicollinearity in the data. Moreover, the data will have no or exceedingly little multiple loading in the rotated factor loading table. Therefore, I have assimilated the available data for the research purpose.

**Table 1:** KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.655
Bartlett's Test of Sphericity	Approx. Chi-Square	125.565
	Df	45
	Sig.	.000

**Table 2:** Descriptive Statistics

	N	Mean	Std. Deviation
online_banking_Channels_eassy_to_perform	200	4.5000	.50752



online_banking_transactions_are_simple_Straight_Forward	200	4.3529	.48507
Online_banking_enables_to_conduct_while_performing_online_banking_site_are_easily_approachable	200	4.3235	.68404
Banks_respond_quickly_to_your_request	200	4.1471	.55772
online_transactions_are_always_safe	200	3.7059	.90552
bank_assist_whenenever_have_problem_in_finding_required_services	200	3.8824	.87956
online_transactions_are_always_accurate	200	3.8235	.71650
using_bank_website_does_not_require_more_efforts	200	3.7941	.91385
website_instructions_are_easy_to_follow	200	4.0000	.73855
Valid N (listwise)	200	4.0294	.57658

1= strongly disagree, 2= disagree, 3 neither agree nor disagree, 4=agree and 5=strongly agree.

From the above table it is evident that the statement with the highest value is, You feel that online banking channels easy to perform ( $\bar{X}=4.50$ ), followed by online banking transactions are simple straight forward. ( $\bar{X}=4.3529$ ), You feel that online banking enables to conduct banking transactions more quickly ( $\bar{X}=4.3235$ ), All in all you feel that while performing online banking are you able to get on the site quickly ( $\bar{X}=4.1471$ ), The website structure and information is easy to follow ( $\bar{X}=4.0294$ ), Using the banks website does not require a lot of effort ( $\bar{X}=4.00$ ), You feel that online transactions with the banks are always safe ( $\bar{X}=3.8824$ ). Bank will assist whenever to have a problem in finding or using a required service ( $\bar{X}=3.8235$ ). You feel that online transactions are always accurate. ( $\bar{X}=3.7941$ ). You feel that bank responds quickly to your requests ( $\bar{X}=3.7059$ ). The mean value of all variables was found above mid value ( $d=4$ ) and less than 5 on 5 point scale, which indicates that the respondents are moderately satisfied with respect to the online banking services.

## VII. FINDINGS

There are various findings which are drawn from the analysis of the study

1. Most of the respondents are young those are using online banking services.
2. Online banking services are preferred by highly educated people.
3. Saving accounts are used for availing online banking services in Una.

4. Most of the respondents are using ATM than net banking and mobile banking.
5. Respondents are agreed that online banking services are convenient, simple and less time consuming.
6. Now, customers feel more secure to use the online banking services and they agreed that bank provide support when it is required.

## VIII. LIMITATIONS AND FURTHER SCOPE OF THE STUDY

Sample size of the current study is limited to 200 respondents only, so further research can be conducted by focusing on large sample. Secondly the geographical area for the research is limited only up to Una region. Lastly, only commercial banks are considered and co-operative banks are still uncovered.

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