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INTERNET BANKING AND CUSTOMER SATISFACTION: A CONCEPTUAL STUDY

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ABSTRACT:

Internet Banking is a product of e-commerce in the field of banking and financial services. In what can be described as B2C domain for banking industry, Internet Banking offers different online services like balance enquiry, requests for cheque books, recording stop-payment instructions, balance transfer instructions, account opening and other forms of traditional banking services. Mostly, these are traditional services offered through Internet as a new delivery channel. banks are also offering payment services on behalf of their customers who shop in different e-shops, e-malls etc. Further, different banks have different levels of such service offered, starting from level-1 where only information disseminated Internet to level -3 where online transactions are put through. This paper is a modest attempt to study the impact of internet banking on customer satisfaction.

KEY WORDS: *Customer Satisfaction, Internet Banking, Financial Services.*

INTRODUCTION:

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is also defined as the number of customers, or percentage of total customers, whose reported experience with a firm, its products or its services (ratings) exceeds specified satisfaction goals. And yet another definition of customer satisfaction is it refers to the extent to which customers are happy with the products and/or services provided by a business. Further definition of customer satisfaction is it is a term generally used to measure a customer's perception of a company's products and/or services. It's not a straight forward science however, as customer satisfaction will vary from person to person, depending on a whole host of variables which may be both psychological and physical. Considering the volume of business e-commerce, particularly in B2B domain, has been generating, it is natural that banking would position itself in an intermediary role in settling the transactions and offering other trade related services. This is true both in respects of B2C and B2B domains. Besides, the traditional role of financial intermediary and settlement agents, banks have also exploited new opportunities offered by Internet in the fields of integrated service providers, payment gateway services, etc. However, the process is still evolving and banks are repositioning themselves based on new emerging e-commerce business models.

In B2B scenario, a new form of e-commerce market place is emerging where various players in the production and distribution chain are positioning themselves and are achieving a kind of integration in business information flow and processing (STP or near STP) leading to efficiencies in the entire supply chain and across industries. Banks are positioning themselves in such a market in order to be a part of the financial settlements arising out of transactions of this market and providing wholesale financial services. This needs integration of business information flow not only across the players in the supply chain, but with the banks as well.

With the integration of business information flow and higher degree of transparency, the banks and other financial services institutions have lost some of the information advantage they used to enjoy and factor in to pricing of their products. However, such institutions have the advantage of long standing relationships, goodwill and brand, which are important sources of assurance in a virtual market. banks are in fact, converting this goodwill into a business component in e-commerce scenario in providing settlement and other financial services. Some banks have also moved to providing digital certificates for transactions through e-markets.

Banks' strategies in B2B market are responses to different business models emerging in e-commerce. A recent study by Arthur Andersen shows that banks and financial service institutions generally adopt one of three business models to respond to e-business challenges. In the first place, they treat it as an extension of existing business without any significant changes other than procedural and what technology demands. The second strategy takes the same approach as the first but introduces structural changes to the underlying business. In the third approach banks launch e-business platform as a different business from the existing core business and as a different brand of product. There is no definite answer as to which approach is appropriate. Perhaps it depends on the type of market the bank is operating, its existing competencies and the legal and regulatory environment. it is, however, sure that e-banking is evolving beyond the traditional limits of banking and many new products/services are likely to emerge as e-commerce matures.

With the opening of banking business through a medium like Internet, the traditional banking risks are magnified and modified for banks offering transactional electronic banking thereby influencing the overall risk profile of banking (Pennathur, 2001). Other ICT issues needed to be addressed are ensuring data protection (notably in online transactions), quick and effective disaster recovery, and the provision of ever more sophisticated e-banking service in response to increased customer expectations in this domain (Rytz and Sylvest, 2008). Operationally, banks are benefitted through the use of e-banking as it reduces the cost of transaction, improves service quality and helping banks in diversifying their activities (Nath et al. 2001).

Internet Banking: Indian Scenario

Internet banking, both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. India can be said to be on the threshold of a major banking revolution with net banking having already been unveiled. A questionnaire administrated in the year 2000 to which 46 banks responded, has revealed that at that time, 11 banks in India were providing Internet banking services at different levels, 22 banks proposed to offer Internet banking in near future while the remaining 13 banks had no immediate plans to offer such facility.

In 2000 the total Internet users in the country were estimated at 9 lakh only However, this was expected to grow exponentially to 90 lakh by 2003. Only about 1% of Internet users did banking online in 1998. This increased to 16.7% in March 2000. The growth potential is, therefore, immense. Further incentives provided by banks would dissuade customers from visiting physical branches, and thus get 'hooked' to the convenience of arm-chair banking. The facility of accessing their accounts from anywhere in the world by using a home computer with Internet connection, is particularly fascinating to Non-Resident Indians and High Net worth Individuals having multiple bank accounts.

Costs of banking service through the Internet form a fraction of costs through conventional methods. Rough estimates assume teller cost at Rs 1 per transaction, ATM transaction cost at 45 paise, phone banking at 35 paise, debit cards at 20 paise and Internet banking at 10 paise per transaction. The cost-conscious banks in the country have therefore actively considered use of the Internet as a channel for providing services. Fully computerized banks, with better management of their customer base are in a stronger position to cross-sell their products through this channel.

Role of Internet Banking in Increasing Customer Satisfaction

Gronroos accepts that Consumer loyalty is a peculiarity of specific significance in the assessment cycle of a shopping, utilization, or item or administration use insight and is subsequently crucial in long haul customer reactions. Oliver characterized consumer loyalty as a judgment that an item or administration highlight, or the item or administration itself, give (or is giving) a pleasurable degree of utilization related satisfaction, including levels of under or over satisfaction. As per Muffatto et al. Consumer loyalty is viewed as perhaps of the main cutthroat variable and as the best sign of an organization's productivity. Furthermore, consumer loyalty will induce organization to work on their standing and picture, to lessen client absconding, and improve consideration towards the client needs. This will prompt production of boundaries to exchanging, and improvement in business associations with their clients.

Administration quality has been perceived as a predominant calculate maintaining upper hand and supporting fulfilling associations with clients. Administration quality is one of the elements adding agreeable to clients decisions. Administration quality in financial sites might support consumer loyalty on the grounds that in web banking a client can get to an assortment of monetary exchange. Mama et al. dissected the variables of site quality that could impact e-banking consumer loyalty in the Chinese business banking industry. They found that e-administration quality aspect: productivity, intelligence, security, data, usability and content were the critical variables to influence consumer loyalty in the e-banking administration. Ariff et al. analyzed the relationship and effect of e-administration quality and e-Fulfillment on e-Reliability in web banking. They utilized the changed variant of E- - S-QUAL-RecS-QUAL instrument to decide e-SQ for web banking administration of a business bank in Malaysia. They tracked down that confirmation satisfaction, effectiveness framework accessibility; security, contact-responsiveness and site feel and guide are the e-SQ aspects for the web banking administration. Site feel and Guide, Proficiency Framework accessibility and Contact-Responsiveness were decidedly affecting the E-Fulfillment and E-Fulfillment was emphatically influential for e-Dedication. Ibok et al. concentrated on the significant determinants of consumer loyalty in web banking administrations. They decided five significant assistance quality aspects that influence the consumer loyalty in Nigeria specifically account access, account use, protection and security, account control, cost/time adequacy and straightforwardness. Awamleh et al., assessed sites of unfamiliar and neighborhood banks in the Assembled Middle Easterner Emirates utilizing the Diniz model to and learned the elements that impact consumer loyalty of the web banking administration. The elements that impact consumer loyalty were perceived as: comfort, freedom, and security of web banking exchanges. Sakhaei et al. explored the help quality files in Web Banking. They concentrated on the effect of administration quality variables of Web Betting on consumer loyalty in Iran. This study uncovered that the Six help quality aspects to be specific dependability, effectiveness, responsiveness, satisfaction, security/protection and web composition have a significant relationship with consumer loyalty in Web Banking and were the proposed pointers to quantify consumer loyalty with administration quality client.

CONCLUSION

World over, electronic banking is making rapid strides due to evolving communication technology. Penetration of Internet banking is increasing in most countries. Wireless Applications Protocol (WAP) is an emerging service which banks worldwide are also offering. The stiff competition in this area exposes banks to substantial risks. The need is being felt overseas that transparency and disclosure requirements should be met by the e-banking community. While existing regulations and legislations applicable to traditional banking are being extended to banks' Internet banking and electronic banking services, it is recognized that Internet security, customer authentication and other issues such as technology outsourcing pose unique risks. Central Banks worldwide are addressing such issue with focused attention. Special legislations and regulations are being framed by the regulators and supervisors for proper management of the different types of risks posed by these services. The reliance on outsourcing is an area where overseas regulators and supervisors are focusing their attention, with banks having to regularly review and test business continuity, recovery and incidence response plans in order to maintain their reputation of trust. Consumer protection and data privacy are areas which assume great significance when banking transactions are carried over a medium as insecure as the Internet. Many countries are looking at special consumer protection/data privacy legislation for an e-commerce environment. The presence of 'virtual banks' or 'Internet only banks' and the licensing requirements required for such entities are also areas which are being looked into by overseas authorities. There has also been co-operation among the regulators and supervisors to meet the challenges of 'virtual' cross border e-banking, particularly in the light of the possibility of increased money laundering activities through the medium of Internet. Internet banking is universally seen as a welcome development, and efforts are being made to put in place systems to manage and control the risks involved without restricting this service.

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