



# A Study On Customer Behavior Towards Online Banking In Public Sector

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**Abstract-** The practice of conducting transactions via online banking has emerged in recent times as an indispensable component of the financial system. In this study, customer attitudes towards various digital offerings made available by the public sector banks in Chennai have been investigated. The study highlights various aspects that influence customer attitudes such as user-friendliness, safety, and convenience. The study adopted a descriptive research methodology with the help of which primary data collected from 60 participants via the use of structured questionnaires has been analyzed using statistical tools such as percentage analysis and Chi-Square test. The findings of the study reveal that although customer adoption rates for ATM and UPI transactions are relatively high, customer apprehensions about technical glitches and security breaches remain. Recommendations have been provided for banks to overcome the issues identified.

**Keywords:** Online Banking, Public Sector Banks, Customer Attitudes, ATM, UPI.

## I. Introduction

There has been a huge changeover in the way banking has been done in India in the digital age. Traditional banking which would involve going physically to the bank for each and everything has been changed to E-banking. There have been various modes launched by public sector banks, which are regarded as the heart and soul of the economy of India such as mobile banking, internet banking, and RTGS/NEFT. Customer behavior in the banking sector is affected by many aspects which include psychological and technical aspects. Although the aspect of convenience in banking at any point in time draws customers to use the service, not all people make use of these facilities. There are many factors such as trust, risk perception, and skills involved in a customer's dealing with the bank interface.

## II. Objectives Of The Study

- To study the demographic aspects of customers who have been using online banking through public sector banks.
- To find out which services are widely used in online banking such as ATM, UPI, Internet Banking.
- To find out the degree of customer satisfaction in regard to digital services.
- To find out the challenges of customers while transacting digitally.
- To know the motivation factors for selecting online banking as compared to other modes.
- To suggest ways to improve digital banking process within public sector banks.



### III. Review Of Literature

- Davis (1989)<sup>1</sup> This can be explained with the help of Technology Acceptance Model (TAM). As per this model, there are only two things which play the crucial role in determining whether any new technology is accepted by people or not. These are the perceived usefulness and the perceived ease of use. Perceived usefulness means the degree to which the consumer thinks that adopting the use of any new technology would improve his or her productivity. It means that the consumer would believe that the new technology would be of much use to him or her in carrying out his or her tasks. Perceived ease of use means that the system is easy to use for the consumers. This model has been very helpful in analyzing the customer behavior towards any new technology like online banking.
- Sathye (1999)<sup>2</sup> In his research on the adoption of internet banking, Sathye concluded that the most prominent hindrances to the use of internet banking services are security-related concerns, awareness deficiencies, and reluctance to embrace change. It was shown in the research that most customers refrain from using internet banking due to the risks involved, such as fraud and hacking. Moreover, it is observed that customers who have not been acquainted with any form of digital technology are reluctant to shift from conventional banking practices. Additionally, it is stressed in the research that customers should have sufficient trust in the system to embrace electronic banking practices. This applies particularly to public sector banks since their customers tend to be more traditional in their thinking.

### IV. Research Methodology

The research methodology gives an account of the steps involved in carrying out the research process from the time data was collected up until its interpretation from an academic perspective.

#### Research Design

The current study makes use of a descriptive research design. The use of this type of design is necessary for this study since it allows the researcher to describe "what" and "how" customers behave. The description will be based on the actual condition of online banking services use among the public.

#### Sources of Data

##### **This research is based on two tiers of data sources:**

**Primary Data:** This forms the basic foundation of the study. Data has been gathered through surveys conducted by interviewing 60 respondents in the Chennai metropolitan area. Primary data was gathered using a question paper that was circulated through Google Forms. The question paper was carefully designed keeping in mind the peculiarities of public sector banks, such as the use of ATMs and mobile wallets.

**Secondary Data:** For gaining insights into past and current trends in this industry, secondary data has been collected from reliable sources. Some sources include the



official website of Public Sector Banks, RBI bulletins, textbooks on E-Commerce, and previously published papers related to banking and finance.

### **Sampling Technique**

For this study, the sampling technique that was used is Convenience Sampling. This type of sampling is suitable for obtaining data from people who use digital banking systems regularly. The use of 60 respondents ensures that there will be varied opinions gathered from different people regardless of their age, occupation, or education level.

### **Tools for Statistical Analysis**

The following tools were employed to convert the data collected into a theory.

Percentage Analysis: Employed to present the demography of the sample.

Weighted Average Technique: Applied to prioritize the factors which contribute most towards customer satisfaction.

Chi-Square Test: Employed to test the association between gender and the degree of confidence in technology.

## **V. Data Analysis And Interpretation**

### **Analysis of Demographic Profile**

The demographic composition of the research serves as a basic knowledge base that informs us about the demographics using the online banking facility within the public domain. From the analysis of the obtained data, it can be inferred that there exists a large majority of individuals falling into the age category of 21 to 30 years. The presence of a larger number of young individuals within the scope of our study indicates that it is the younger generation, popularly called digital natives, that is driving the trend of digital banking facilities. From the analysis of the gender distribution, it can be stated that more females participated in the study than males. In addition to this, from the perspective of education, it is seen that there exists a large majority of undergraduates and postgraduates.

### **Knowledge and Usage**

The study continued by examining the level of awareness of the different tools available for use by their banks among the customers. It was noted that even though most of the respondents were aware of the presence of the online banking services, there is a significant difference in the levels of knowledge. While a good number of respondents have complete knowledge of features such as third-party transfers and standing instructions, most respondents only make use of basic balance checking services. The frequency of usage shows that almost half of the respondents use online banking applications either daily or weekly.

### **Perceptions Regarding Specific Banking Services**

In terms of specific banking services, it was observed that the ATM service and the UPI service have become the most popular tools for transferring money. With the ease of transferring money through mobile apps instantly, people do not visit the bank branch



in person anymore. But on interpreting the data, it becomes evident that there is a distinct difference between the acceptance of the low and high-value transfer through Internet Banking. While people do not hesitate in sending money through UPI service, they tend to be apprehensive about making large transactions through Internet Banking.

## VI. Statistical Analysis

### Correlation Analysis between Awareness and Confidence

To find out whether customers' awareness about banking features influences their trust in the system's security, in the current research, the method called Pearson's Correlation Analysis was used. The outcome obtained by computing the correlation coefficient ( $r$ ) was found to be equal to  $r = 0.11$ . Numerically, this demonstrates a Weak Positive Relationship. Thus, theoretically, it can be said that increasing customers' awareness about banking features leads to a little increase in their confidence but there are other factors which influence customers' confidence more, such as their experience with some technical issues or news about cyber-crimes.

### Chi-Square Test on Gender and Satisfaction

Chi-Square test was performed to determine if there was any association between gender and the level of satisfaction a customer would have when using the public sector online banking platform. The hypothesis stated that there was no relationship between gender and customer satisfaction. After calculating the values, it was realized that the computed value was smaller than the standard value from the tables. This means that the hypothesis is accepted. In theory, this implies that regardless of whether the customer is a male or female, the experience while using the digital banking platform would be the same.

## VII. Findings Of The Study

According to the findings of this study, the youth age group constitutes the most active participants in the world of digital banking due to their proficiency in using smartphones. Almost all customers have adopted the use of ATMs and UPI services, but more specialized services such as E-statements and Demat account services receive relatively low usage.

The apprehension of phishing and other forms of cyber-crimes poses as the biggest hurdle that prevents older age groups from going fully digital. Server time-out issues and late OTP confirmation emerged as the most common problems reported by regular users of online banking services. Higher educational qualifications are positively associated with adopting various online banking services.

- **Adoption Among Youth:** The main consumers of public sector banks' online banking services are people between the ages of 21 and 30. Therefore, it is evident that the online banking application interface should be modernized continuously by public sector banks to satisfy the younger generation.



- **Gender Imperviousness:** The statistics show that the difference in gender does not influence the usage of online banking facilities. In other words, there was no gender disparity among the participants regarding UPI and mobile banking applications.
- **Service Preferences:** The use of ATM services still acts as the "entry point" into digital banking; however, the UPI service has rapidly risen in popularity as the most popular mode of transaction on a day-to-day basis. Online banking through a web portal is becoming more and more relevant for large corporate transactions only.
- **The Security Barrier:** One important revelation from our analysis is that 30% of consumers are still unwilling to transfer large amounts of money online owing to the risk of phishing and other cybercrimes.
- **Technical Issues:** Server timeout issues and the late receipt of OTP (one-time password) notifications were noted as the most annoying problems within the digital service delivery processes in the public sector. Such issues compel customers to resort to conventional methods for banking transactions.
- **Influence of Education:** This paper revealed a significant positive relationship between educational attainment and the extent of digital service utilization. An individual's education significantly influences their use of various digital banking services.

## VIII. Recommendations

**Optimizing Technical Performance:** Public sector banks should concentrate on improving the performance of their servers by reducing transaction errors during peak times.

**User-Friendly Interface:** A 'Lite' version of their application must be designed by banks that is characterized by large font sizes and easy-to-navigate menus to make it friendly to the elderly population and those from rural areas.

**Incentivization:** For unpopular services such as fixed deposits using mobile phones, banks can offer slightly better incentives than other payment channels to promote their use.

## IX. Conclusion

The shift from traditional banking services to a digital form is already in process but has not yet reached its destination point. This study has proved that even though people appreciate the convenience of digital banking services, there exists a problem called "Trust Deficit" which needs to be solved. From the data obtained, one may say that raising awareness is just the first step, which alone cannot solve the issue at hand. In order to survive in today's competitive market, public sector banks should merge their advantages – broad geographic coverage – with a reliable digital platform. In conclusion, it can be stated that the success of a digital service depends on the bank's capacity to create an environment in which everyone could feel secure and operate effortlessly.



## Reference

1. Davis (1989) explained through the Technology Acceptance Model that perceived usefulness and perceived ease of use are important factors influencing the adoption of new technology. This theory is relevant in understanding customer acceptance of online banking services.
2. Sathye (1999) studied internet banking adoption and found that security concerns and lack of awareness are the major barriers to the use of online banking services among customers.
3. Pikkarainen et al. (2004) concluded that convenience, accessibility, and information availability significantly influence customer behaviour towards online banking services.
4. Agarwal and Prasad (2007) observed that personal characteristics such as education, knowledge, and experience play an important role in the adoption of online banking.
5. Singh (2010) found that customers prefer online banking because it saves time and offers convenience, but concerns regarding privacy and security still affect its adoption.
6. Kumbhar (2011) stated that service quality, reliability, and responsiveness are important determinants of customer satisfaction in online banking services.
7. Safeena et al. (2012) identified trust, security, and ease of use as major factors influencing customer acceptance of online banking services.
8. Sharma (2014) observed that awareness and financial literacy significantly affect the usage of online banking in public sector banks.