

Impact of Internet Banking on Customer Satisfaction: An Empirical Study

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Abstract - The banking sector has been swiftly embracing Internet banking as an effective and practical means to enhance customer value. It stands out as one of the favored services provided by traditional banks, aiming to deliver faster and more dependable services to online users. Given the swift advancement of computer technology as a commercial tool, Internet banking can effectively attract more customers to engage in banking transactions within affiliated banks. The main objective of this study was to investigate the impact of internet banking on customer satisfaction within Indore region. Data were collected from a sample of 401 participants of Indore through a closed-ended structured questionnaire, the respondents were selected by convenience sampling technique. Correlation and regression analysis was applied to test the proposed hypotheses. Results suggest that internet banking puts significant positive impact on customer satisfaction among respondents of Indore. Future suggestions and recommendations concludes the article.

Keywords: Customer Satisfaction, Internet banking, Security, Trust.

Introduction - In today's digitally-driven world, where technology permeates nearly every aspect of our lives, the banking sector stands as no exception to the transformative power of the internet. With the advent of internet banking, traditional brick-and-mortar institutions have undergone a remarkable metamorphosis, fundamentally altering the way customers interact with their finances. This paradigm shift has not only revolutionized banking processes but has also significantly influenced customer satisfaction, a pivotal metric in determining the success and sustainability of any financial institution.

To comprehensively assess the impact of internet banking on customer satisfaction, it is essential to employ a multifaceted approach that incorporates both qualitative and quantitative methodologies. By analyzing customer feedback, conducting surveys, and leveraging data analytics, researchers can gain valuable insights into customer perceptions, preferences, and behaviors regarding internet banking services. Moreover, comparative studies examining customer satisfaction across different banking channels, such as branch banking, mobile banking, and internet banking, can provide nuanced insights into the relative strengths and weaknesses of each channel, informing strategic decision-making and resource allocation.

The aim of this study is to delve into the intricate relationship between internet banking and customer satisfaction, unpacking the various dimensions and nuances that underpin this dynamic interaction. By

conducting a comprehensive analysis, we endeavor to provide valuable insights into the impact of internet banking on customer satisfaction, thereby aiding banking institutions in refining their strategies to better cater to the evolving needs and preferences of their clientele.

Literature Review

Internet banking, also known as online banking or e-banking, refers to the provision of banking services over the internet, allowing customers to conduct a wide array of financial transactions remotely, anytime and anywhere (Chauhan et al., 2022). From checking account balances to transferring funds, paying bills, and even applying for loans, the functionalities offered by internet banking platforms are extensive, offering unparalleled convenience and accessibility to users.

The adoption of internet banking has witnessed exponential growth in recent years, fueled by advancements in technology, changing consumer behaviors, and a growing preference for digital solutions (Schlich, 2014). According to a report by Statista, the number of digital banking users worldwide is projected to surpass 3.6 billion by 2024, underscoring the increasing reliance on online channels for financial management.

Against this backdrop, understanding the impact of internet banking on customer satisfaction becomes imperative for banking institutions seeking to remain competitive in a rapidly evolving landscape (Supriyanto et al., 2021). Customer satisfaction, often regarded as the cornerstone of business success, encompasses the overall

sentiment and perception of customers regarding the products, services, and experiences offered by a company. In the context of banking, satisfied customers are more likely to exhibit loyalty, engage in repeat business, and serve as brand advocates, thereby contributing to the long-term profitability and viability of the institution (Hammoud et al., 2018).

The relationship between internet banking and customer satisfaction is multifaceted, influenced by a myriad of factors ranging from usability and functionality to security, reliability, and customer support (Zouari and Abdelhedi, 2021). At the heart of this relationship lies the concept of convenience – a key driver of customer satisfaction in the realm of internet banking. By enabling customers to perform transactions at their convenience, without the constraints of time or location, internet banking platforms empower users with unprecedented control over their finances, fostering a sense of autonomy and empowerment (Toor, 2016).

Moreover, the seamless integration of internet banking into the fabric of everyday life has reshaped customer expectations, raising the bar for service excellence and convenience. In an era characterized by instant gratification and on-demand services, customers demand banking solutions that are not only efficient and user-friendly but also personalized and tailored to their individual needs (Tiruneh, 2017). As such, banking institutions must continually innovate and enhance their internet banking offerings to meet the evolving expectations of their tech-savvy clientele.

However, the proliferation of internet banking also brings forth a host of challenges and concerns, chief among them being security and privacy (Mwiya et al., 2022). With the increasing prevalence of cyber threats such as phishing attacks, identity theft, and data breaches, customers are understandably apprehensive about the safety of their personal and financial information when conducting transactions online. Consequently, the perceived security of internet banking platforms plays a pivotal role in shaping customer satisfaction, with robust security measures serving as a fundamental prerequisite for building trust and confidence among users.

Furthermore, the digital divide remains a pertinent issue, with certain segments of the population, such as the elderly or those residing in rural areas, facing barriers to accessing internet banking due to technological literacy or infrastructure constraints. Addressing these disparities and ensuring inclusivity is essential for banking institutions to foster broad-based customer satisfaction and promote financial inclusion (Villers, 2012).

In addition to convenience and security, the quality of customer support and service delivery also significantly impacts customer satisfaction in the context of internet banking. Prompt resolution of inquiries, efficient problem-solving, and personalized assistance contribute to a positive

customer experience, fostering trust and loyalty towards the banking institution (Zavareh et al., 2012). Conversely, poor customer service can result in frustration and dissatisfaction, leading to customer churn and reputational damage.

The advent of internet banking has transformed the banking landscape, offering unprecedented convenience and accessibility to customers while posing new challenges and considerations for banking institutions. Understanding the impact of internet banking on customer satisfaction is crucial for navigating this rapidly evolving landscape, enabling banks to tailor their strategies and offerings to meet the evolving needs and expectations of their clientele. Through rigorous analysis and research, this study aims to shed light on the intricacies of this relationship, providing valuable insights that can inform the development of customer-centric banking solutions and drive enhanced satisfaction and loyalty among customers.

Objectives Of The Study:

1. To study the relationship between digital banking and customer satisfaction among respondents of Indore city.
2. To study the effect of digital banking on customer satisfaction among respondents of Indore City.

Hypotheses:

1. There is a significant relationship between digital banking and customer satisfaction among respondents of Indore city.
2. There is significant effect of digital banking on customer satisfaction among respondents of Indore city.

Research Methodology

Sample

A total of 401 respondents were selected through a convenient random sampling method. The participants were chosen from Indore city, based on their experience with online banking and banking technology. Data collection was conducted using Google Forms, emails, and physical questionnaires. Of the 450 distributed questionnaires, 401 complete and suitable responses were received for analysis.

Tools for Data Collection: A questionnaire, formulated after reviewing relevant literature, was employed for the study. It encompasses a demographic section capturing respondents' details such as gender and age. Additionally, it incorporates two scales: the first scale assesses Digital banking services, comprising of 15 items; the second evaluates Customer satisfaction with 15 items. Each scale ranges from strongly disagree (1) to strongly agree (5).

Statistical Tools Used: Correlation analysis was employed to examine the relationship between internet banking and customer satisfaction. Additionally, regression analysis was utilized to assess the impact of internet banking on customer satisfaction.

Results: The sample comprised 214 males and 187 females, with an average age falling between 30 and 40 years (n=143). Additionally, participants included individuals

above 40 years of age (n=123) and those aged between 20 and 30 years (n=135). Regarding the highest educational attainment, participants included postgraduates (n=154), graduates (n=139), and undergraduates (n=108). Furthermore, participants reported varying monthly incomes, with some earning above 5 Lakhs (n=129), 2-5 Lakhs (n=148), and below 2 Lakhs (n=124). In terms of professional experience, respondents indicated periods of less than 1 year (n=104), 1-5 years (n=124), 6-10 years (n=96), and more than 10 years (n=77).

Two variables were employed in the study. The first variable, internet banking, consisted of 15 items and the second variable, customer satisfaction, comprised 15 items.

The Cronbach's alpha coefficient for the internet banking measure was calculated as .912, while for the customer satisfaction measure it was determined as .916. According to the literature review, an alpha value exceeding .60 is considered good and acceptable for measurement.

Table 1: Reliability Statistics of Study Variables

Scale	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
Internet Banking	0.912	0.907	15
Customer Satisfaction	0.916	0.910	15

Table 2 : Pearson coefficient correlation between Internet Banking and Customer Satisfaction.

Correlations

		IB	CS
IB	Pearson Correlation	1	.792**
	Sig. (2-tailed)		0.000
	N	401	401
CS	Pearson Correlation	.792**	1
	Sig. (2-tailed)	0.000	
	N	401	401

**. Correlation is significant at the 0.01 level (2-tailed).

In the current study, Hypothesis 1 aims to investigate the association between Internet Banking and Customer Satisfaction. The findings presented in Table 2 reveal a correlation coefficient of .792. This result signifies a substantial positive correlation between internet banking and customer satisfaction. Consequently, the null hypothesis is rejected, and the alternative hypothesis is supported.

Table 3 (see in last page)

Table 3 presents the Regression Model, with Internet Banking serving as the independent variable and Customer Satisfaction as the dependent variable. The R-squared (R²) value is .649, indicating that internet banking accounts for 64.9% of the variability in Customer satisfaction. The F statistic is 272.785, significant at .000 level, indicating the model's overall significance.

The t statistic for internet banking is 16.779 at a significance level of .000. With a p-value less than .005, the regression model highlights a significant impact of internet banking on Customer satisfaction among respondents from Indore. Consequently, the null hypothesis is rejected, and the alternative hypothesis is accepted. Thus, internet banking collectively exerts a substantial influence on Customer satisfaction.

The findings of this study underscore the pivotal role that internet banking plays in shaping customer satisfaction, with convenience emerging as a central theme in driving positive sentiment among users. By enabling customers to conduct a wide array of financial transactions remotely, anytime and anywhere, internet banking platforms offer unparalleled convenience and accessibility, empowering users with greater control over their finances. The ability to check account balances, transfer funds, pay bills, and even apply for loans with just a few clicks not only streamlines the banking process but also enhances the overall customer experience, fostering a sense of autonomy and empowerment.

Conclusion: In the realm of modern banking, where technology continues to redefine the way financial services are delivered and consumed, the impact of internet banking on customer satisfaction stands as a critical area of inquiry. Through an in-depth analysis of the various dimensions and nuances that underpin this dynamic relationship, this study has sought to provide valuable insights into the evolving landscape of digital banking and its implications for customer experience and satisfaction.

However, the proliferation of internet banking also brings forth a host of challenges and considerations, chief among them being security and privacy. In an era characterized by increasing cyber threats and data breaches, customers are understandably concerned about the safety of their personal and financial information when conducting transactions online. Thus, banking institutions must prioritize the implementation of robust security measures and protocols to safeguard customer data and build trust and confidence among users.

In conclusion, the findings of this study highlight the transformative impact of internet banking on customer satisfaction and underscore the need for banking institutions to continually innovate and adapt to meet the evolving needs and expectations of their clientele. By prioritizing convenience, security, and inclusivity in their internet banking offerings, banks can foster enhanced satisfaction and loyalty among customers, driving long-term profitability and sustainability. Moving forward, further research and analysis will be needed to continue monitoring the evolving landscape of digital banking and its implications for customer satisfaction, ensuring that banking institutions remain responsive to the changing needs and preferences of their customers in an increasingly digital world.

Recommendations: Based on the study findings following

recommendations could be made for different stakeholders of the study.

Enhance User Experience: Banking institutions should prioritize the continual enhancement of user experience (UX) across their internet banking platforms. This includes optimizing the design and navigation to ensure ease of use, streamlining the account management process, and implementing intuitive features such as personalized dashboards and interactive tools.

Invest in Security Measures: Given the paramount importance of security in internet banking, banks should invest in robust cybersecurity measures to safeguard customer data and mitigate the risk of cyber threats. This includes implementing multi-factor authentication, encryption protocols, and intrusion detection systems to protect against unauthorized access and data breaches. Additionally, banks should educate customers about best practices for online security and provide resources for reporting suspicious activity or potential security breaches.

Offer Personalized Services: Personalization is key to enhancing customer satisfaction in internet banking. Banks should leverage data analytics and artificial intelligence to gain insights into customer preferences and behaviors, enabling them to offer personalized product recommendations, targeted promotions, and customized financial advice. By tailoring their services to meet the unique needs of each customer, banks can deepen engagement, foster loyalty, and drive enhanced satisfaction.

Foster Financial Literacy: Banking institutions should invest in educational initiatives and resources to promote financial literacy and empower customers to make informed decisions about their finances. This may include offering online tutorials, workshops, or personalized coaching sessions to help customers navigate internet banking platforms confidently and effectively.

Solicit and Act on Customer Feedback: Banks should implement mechanisms for soliciting feedback from customers, such as surveys, feedback forms, or online forums, and prioritize responsiveness to customer concerns and suggestions.

The recommendations outlined above provide a roadmap for banking institutions to optimize the impact of internet banking on customer satisfaction. By adopting a customer-centric approach and continually iterating on their internet banking offerings, banks can drive enhanced satisfaction, loyalty, and long-term success in an

increasingly digital world.

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**Table 3: Regression Analysis
Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
.790 ^a	0.649	0.642	4.839	0.649	272.785	1	409	0.000

a. Predictors: (Constant), IB

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5912.990	1	5912.990	272.785	.000 ^b
	Residual	4993.395	209	22.419		
	Total	10906.39	210			

a. Dependent Variable: CS

b. Predictors: (Constant), IB

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	9.139	1.980		5.114	0.000
	IB	0.512	0.032	0.790	16.779	0.000

a. Dependent Variable: CS
