

AN EVALUATION OF CUSTOMER PERCEPTION TOWARDS ALTERNATE BANKING CHANNEL

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ABSTRACT

The main objective of this study is to evaluate the factors which influencing the risk perception of customers while using alternate banking channel. The major findings of this study are, internet banking is having high risk assumed by the majority of the respondents. Based on the risk measurement, financial risk influencing more compared to the other types of risk. Majority of the respondents are assuming that financial risk and psychological risk is more in credit card. Performance risk are more in debit card, time risk, psychological risk, security risk and social risk are huge in internet banking. Financial risk is the mediating factor for determining the perceived risk of the alternate banking customers.

Keywords: Customer perception, Perceived risk, Psychological risk, Time risk

INTRODUCTION:

E-banking includes an array of financial communication, once done through the tangible exchange of information, now are done electronically. While the benefits of such advancements have been received, there also have been drawbacks. Issues such as security, fraud, and theft have deterred people from participating in the Internet and E-Banking revolutions. Furthermore, without the proper counter measures in place to prevent malicious actions, users may find the prospect of Internet banking unappealing.

The problem therein arises; with technology's revolutionizing effect on banking procedures, improper security measures prevent customers from enjoying the benefits. Furthermore, the security issue extends beyond simply deterring participation; it extends to the improper use and manipulation of the Internet for illegal gain and illegal activities. The problem is not isolated to a specific group of people, though it may be more prevalent in certain age groups, but everyone and anyone can be at risk from malicious users. Furthermore, from the perspective of the institution offering the service, the security issue can be a major obstacle to traverse in the marketing of these online services to customers. Some banks may devote considerable time and assets in perfecting their online services and to have them not taken advantage due to Internet insecurity can prove very costly.

PROBLEM BACKGROUND:

Transactional activities in today's banking industry make the tangible transfer of funds seem archaic. Cash is becoming a scarce method of payment while credit cards and debit cards are flooding the marketplace. Also, with new facets for buying and selling goods, cash is no longer the majority practical choice in many instances. Delivery channels for purchasing and selling, once limited to the telephone, through the mail, or in person, now include the Internet. Beyond the simple transactions of buying and selling goods, paying bills, transferring funds, and managing investments has been revolutionized also. All activities which were once handled through the safety of tangible exchange can now be carried out electronically. Feeling safe enough on the Internet to conduct these financial transactions represents a host of security concerns associated with the ideas mentioned above. The psychological barriers involved with age, financial status, and education in relation to an individual's comfort level with electronic commerce present a foundation to the security dilemma and may provide a correlation for current attitudes towards e-banking. Hence this present study has made an earnest attempt to evaluate the customers' risk perception towards alternate banking services.

OBJECTIVES OF THE STUDY:

- To evaluate the factors which influencing the risk perception of customers while using alternate banking channels
- To evaluate the relationship among the factors which influencing the risk of the customers
- To offer valuable suggestion for theoretical contributions

METHODOLOGY:

Based on these issues researcher found that this research study belongs to the nature of empirical in nature. Empirical research study focussing on issue to followed or practiced for solving the research issues. These kind of empirical evidence already been published elsewhere for solving the similar kind of problems. In this research study used both primary and secondary data. Primary data collected through well-structured questionnaire. Structure of the questionnaire constructed with the use of conceptual model. Secondary data collected through already published sources like, websites, text books, journals and magazines. Sample size for this research study will be decided as 300. This sample size decided based on the population standard deviation. Population standard deviation calculated through trial survey. Trial survey conducted with 30 samples. This trial survey used to the researcher to strengthen the instrument,

calculating the sample size, checking the reliability and validity of the instrument being used to evaluate the perceived risk of customers while using alternate banking services. Samples are collected from cuddalore town. Researcher decides to collect primary data from supermarket and ATMs. Researcher decides to collect response from the respondents after availing the service from the above entities. Every 5th person is selected as sample for this study. So, researcher used systematic sampling for this research study. Appropriate research tools used based on the research issues formed by the researcher.

REVIEW OF LITERATURE:

Financial Risk, also referred to as economic risk, is the possibility of monetary losses during on-line purchasing (Lim, 2003). In other words, financial risk is the money losses as a result of purchasing any products or services (Laroche, Bergeron and Yang, 2004). The risk perception of the IB customers primarily grows out of the IT lapses and the resultant losses incurred in fraudulent access to customer accounts (Littler and Melanthiou, 2006).

Performance Risk is the possibility of defect or failure as a result of purchasing a product (Laroche, Bergeron and Yang, 2004). In internet banking, performance risk arises when (a) either money is not transferred on time, or (b) customers have difficulties in accessing the web page or (c) not having enough new web-based services requested by customer (Littler and Melanthiou, 2006).

Time Risk is the combination of lost time and effort spent in purchasing any product or service (Murray and Schlacter, 1990). In internet banking, when more time is required to learn how to access any particular service, risk perceptions increase. Customers also perceive risk when money transfer is not realized in time and faults occur during the transaction leading to time loss perception (Littler and Melanthiou, 2006).

Social Risk can be defined as the possibility of derogate from his/her friends' dignity and interest (Murray and Schlacter, 1990). Family members' and other people's constructive and negative thoughts about internet banking impact the customer's purchasing decision. Nonetheless, the lack of face-to-face communication with bank personnel can also get customers worried. Some researchers objective that technology based services have a built-in deterrent impact by not providing interactive effect with people (Littler and Melanthiou, 2006).

Psychological Risks: Customers often become anxious or stressful because of their purchasing attitude. For example, when a purchasing experience does not correspond to the expected, people become nervous. This nervousness can be called psychological risk. (Lim, 2003).

Security Risk occurs when customers worry that money transfers from their accounts or their private financial information can be seen by others without their permission; this worry creates security risk (Littler and Melanthiou, 2006). Security risk is the main obstacle in using internet banking. (Polatoğlu and Ekin, 2001). It has been suggested that improved security in protecting personal information can increase the preference for using internet banking (Yousafzai, 2003).

DISCUSSIONS:

- Majority of the problem related to non-usage of plastic money is hidden charges and unauthorised utilisation. So, majority of the banks are now using verification and security facilities for verifying the users. But even for sometimes the usage of credit cards will create problems to customers.
- Online banking, mobile banking and telephone banking are enabling the customers to transact without the intervention of branch banking. Branchless transactions are very useful for the transactions of business and non-business customers. But due to some hackers or some unauthorised web pages remain the hurdles for the internet banking.
- Internet banking is considered as high risk category perceived by respondents. Internet banking is having 2.91 mean. It is high when compared to other alternate channels. Security enablement and privacy are low Internet baking.
- Financial risk is the highest risk category, when compared to all the types of risk. Financial risk is having grand mean of 2.93.

- Credit card is considered as high risk category perceived by respondents with the mean score of 3.12. It is high when compared to other alternate channels.
- Performance risk is high in debit card. Debit card having grand mean of 2.97. Compared to the entire alternate channels debit card having highest performance risk.
- Time risk is high in Internet banking. Internet banking is having grand mean of 2.96. Compared to all the alternate channels internet banking is having highest time risk.
- Social risk is high in internet banking. Internet banking is having grand mean of 2.79. Compared to all the alternate channels internet banking is having highest social risk.
- Psychological risk is high in credit card and internet banking. Credit card and internet banking is having grand mean of 2.79. Compared to all the alternate channels credit card and internet banking is having highest psychological risk.
- Security risk is high in internet banking. Internet banking is having grand mean of 3.03. Compared to all the alternate channels internet banking is having highest security risk.
- Financial risk is the mediating factor for determining the perceived risk of the alternate banking customers.
- NPAR is the number of distinct parameters (q) being estimated. Two parameters (two regression weights, say) that are required to be equal to each other count as a single parameter, not two. CMIN is the minimum value, of the discrepancy, C. P is a "p value" for testing the hypothesis that the model fits perfectly in the population.
- P value which exhibits the value is less than 0.05. Hence, the model fits perfectly in the population.
- NFI, Models with overall fit indices of less than .9 can usually be improved substantially. These indices, and the general hierarchical comparisons described previously, are best understood. (Bentler & Bonett, 1980, p. 600, referring to both the NFI and the TLI).
- The RFI is obtained from the NFI by substituting F/d for F . RFI values close to 1 indicate a very good fit. IFI values close to 1 indicate a very good fit. The typical range for TLI lies between zero and one, but it is not limited to that range. TLI values close to 1 indicate a very good fit.
- The CFI is identical to the McDonald and Marsh (1990) relative non centrality index (RNI), except that the CFI is truncated to fall in the range from 0 to 1. CFI values close to 1 indicate a very good fit.
- NFI value is less than .86, which implies that this model improved substantially good model. RFI the rho1 value is 0.77. Hence it is inferred that it is good fit. IFI the value of delta2 is 0.89. Hence it is inferred that very good fit. TLI the rho2 value is 0.79 is close the high range. This infers that very good fit. CFI also close the value of 1. This indicates the very good fit for the model.
- The columns labelled LO 90 and HI 90 contain the lower limit and upper limit of a 90% confidence interval for the population value of RMSEA. Value of the RMSEA of about .05 or less would indicate a close fit of the model in relation to the degrees of freedom. It cannot be regarded as infallible or correct, but it is more reasonable than the requirement of exact fit with the RMSEA = 0.0. Value of about 0.08 or less for the RMSEA would indicate a reasonable error of approximation and would not want to employ a model with a RMSEA greater than 0.1." (Browne and Cudeck, 1993) From the above table infers that the RMSEA value if less than .05. Which indicates the low level approximation of error in this model and it is close fit the model in relation to the degree of freedom. P close value used to test the hypothesis with the model and degree of freedom. Hence it infers that this model significantly fit for measuring the perceived risk of alternate banking channel.

CONCLUSION:

Online banking, mobile banking and telephone banking are enabling the customers to transact without the intervention of branch banking. Branchless transactions are very useful for the transactions of business and non-business customers. But due to some hackers or some unauthorised web pages remain the hurdles for the internet banking.

Based on this research study researcher would like to conclude that credit card, debit card and internet banking having high risk aspects from the customer perspective. So, the regulatory must try to increase the security and privacy aspects. So as to protect the customers from uncertain situations and help them to improve the usage of alternate banking channels. All the banking companies must try to reduce the financial risk. So as to reduce the risk perceived by the customers.

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APPENDICES

Table 1: Ranking based on risk perceived by respondents using alternate banking Channels and ranking for variety of risk associate with using alternate banking channels

S.No	INST	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	GM	RANK
1	AT M	2.64	2.83	2.73	2.94	2.68	2.97	2.84	2.81	2.47	2.93	2.70	2.67	2.77	2.71	2.77	2.80	2.80	2.94	2.78	4
2	CC	3.21	3.03	2.78	2.89	2.69	3.01	2.73	2.75	2.56	3.05	2.75	2.63	2.87	2.70	2.85	2.90	3.09	3.01	2.86	2

S.No	INST	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	R16	R17	R18	GM	RANK
	Perceived risk																				
1	Financial risk	2.72	2.86	2.69	2.81	2.80	2.80	2.73	2.84	2.35	2.84	2.68	2.57	2.65	2.68	2.57	2.73	2.74	2.91	2.72	6
3	Performance risk	2.83	2.93	2.77	2.88	3.01	3.05	2.93	2.99	2.56	3.07	2.79	2.75	2.81	2.77	2.72	2.94	3.21	3.24	2.91	1
4	Time risk	2.85	2.98	2.74	2.89	2.78	2.90	2.94	2.92	2.57	2.78	2.74	2.55	2.64	2.70	2.63	2.75	2.74	2.95	2.78	4
6	Social risk	2.72	2.86	2.69	2.81	2.80	2.80	2.73	2.84	2.35	2.84	2.68	2.57	2.65	2.68	2.57	2.73	2.74	2.91	2.72	6
5	Psychological risk	2.83	2.93	2.77	2.88	3.01	3.05	2.93	2.99	2.56	3.07	2.79	2.75	2.81	2.77	2.72	2.94	3.21	3.24	2.91	1
2	Security risk	2.85	2.98	2.74	2.89	2.78	2.90	2.94	2.92	2.57	2.78	2.74	2.55	2.64	2.70	2.63	2.75	2.74	2.95	2.78	4
		2.93	2.86		2.83		2.70		2.73		2.87										

Table 2: Ranking based on financial risk perceived by respondents using alternate banking channels

S.No	INST	R1	R2	GM	RANK
1	ATM	2.64	2.83	2.74	6
2	CC	3.21	3.03	3.12	1
3	DC	3.10	3.07	3.09	3
4	PB	2.85	3.05	2.95	3
5	IB	2.83	2.98	2.91	4
6	MB	2.72	2.86	2.79	5

Table 3: Ranking based on performance risk perceived by respondents using alternate banking channels

S.No	INST	R3	R4	R5	R6	GM	RANK
1	ATM	2.73	2.94	2.68	2.97	2.83	4
2	CC	2.78	2.89	2.69	3.01	2.84	3
3	DC	2.89	3.04	2.89	3.07	2.97	1
4	PB	2.74	2.89	2.78	2.90	2.83	4
5	IB	2.77	2.88	3.01	3.05	2.93	2
6	MB	2.69	2.81	2.80	2.80	2.78	6

Table 4: Ranking based on time risk perceived by respondents using alternate banking channels

S.No	INST	R7	R8	GM	RANK
1	ATM	2.84	2.81	2.83	3
2	CC	2.73	2.75	2.74	6
3	DC	2.73	2.79	2.76	5
4	PB	2.94	2.92	2.93	2
5	IB	2.93	2.99	2.96	1
6	MB	2.73	2.84	2.79	4

Table 5: Ranking based on social risk by respondents using alternate banking channels

S.No	INST	R9	R10	R11	R12	GM	RANK
1	ATM	2.47	2.93	2.70	2.67	2.69	4
2	CC	2.56	3.05	2.75	2.63	2.75	2
3	DC	2.48	2.92	2.77	2.72	2.72	3
4	PB	2.57	2.78	2.74	2.55	2.66	5
5	IB	2.56	3.07	2.79	2.75	2.79	1
6	MB	2.35	2.84	2.68	2.57	2.61	6

Table 6: Ranking based on psychological risk perceived by respondents using alternate banking channels

S.No	INST	R13	R14	GM	RANK
1	ATM	2.77	2.71	2.74	3
2	CC	2.87	2.70	2.79	1
3	DC	2.78	2.69	2.74	3
4	PB	2.64	2.70	2.67	5
5	IB	2.81	2.77	2.79	1
6	MB	2.65	2.68	2.67	5

Table 7: Ranking based on security risk perceived by respondents using alternate banking channels

S. No	INST	R15	R16	R17	R18	GM	RANK
1	ATM	2.77	2.80	2.80	2.94	2.83	4
2	CC	2.85	2.90	3.09	3.01	2.96	2
3	DC	2.74	2.85	2.99	3.03	2.90	3
4	PB	2.63	2.75	2.74	2.95	2.77	5
5	IB	2.72	2.94	3.21	3.24	3.03	1
6	MB	2.57	2.73	2.74	2.91	2.74	6

Table 8: Regression Weights: (Group number 1 - Default model)
Regression Weights: (Group number 1 - Default model)

			Estimate	P
PR4	<---	Performance Risk	.77	0.001
PR3	<---	Performance Risk	.83	***
TR2	<---	Time Risk	.94	0.041
TR1	<---	Time Risk	.98	0.005
SR4	<---	Social Risk	.78	0.014
SR3	<---	Social Risk	.83	***

			Estimate	P
PR2	<---	Performance Risk	.88	***
PR1	<---	Performance Risk	.88	***
SR2	<---	Social Risk	.73	***
SR1	<---	Social Risk	.57	***
PSR2	<---	Psychological Risk	.94	0.032
PSR1	<---	Psychological Risk	.79	***
SER4	<---	Security Risk	.81	0.035
SER3	<---	Security Risk	.79	***
SER2	<---	Security Risk	.82	***
SER1	<---	Security Risk	.94	***
FR1	<---	Financial Risk	.83	0.002
FR2	<---	Financial Risk	.79	***

Table 9: Covariance's: (Group number 1 - Default model)

	Estimate	S.E.	P
Security Risk <--> Performance Risk	.533	.009	.001
Performance Risk <--> Psychological Risk	.570	.030	.040
Performance Risk <--> Social Risk	.463	.015	.022
Performance Risk <--> Time Risk	.567	.002	.000
Security Risk <--> Time Risk	.459	.013	.008
Time Risk <--> Psychological Risk	.487	.047	.000
Time Risk <--> Social Risk	.431	.036	.011
Security Risk <--> Social Risk	.441	.064	.036
Social Risk <--> Psychological Risk	.646	.077	.041
Security Risk <--> Psychological Risk	.561	.071	0.00
