

**A STUDY ON CUSTOMER PERCEPTION TOWARDS  
MOBILE BANKING IN INDIAN OVERSEAS BANK  
CHENNAI**

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**Abstract:**

Mobile banking is still at infancy stage in the world. Many studies focused on usage of mobile banking but many factors on non-usage were overlooked. This research was carried out to validate the conceptual model of mobile banking. The causes were identified and researched through correcting the causative factors so that mobile banking can be used by more people. This will help the banking operations to be more cost effective. The research is focused on what are the customer's perceptions about mobile banking offered by Indian Overseas Bank and what are the drivers that drive consumers. How consumers have accepted mobile banking and how to improve the usage rate were the focus of research area in this study. Descriptive research using questionnaire was applied. 250 respondents from Indian Overseas Bank Peters Road Chennai were selected for study after initial screening. They were all bank customers. The study revealed that education, gender, income plays an important role in usage of mobile banking. Not much research has been done on these areas as they were focused more on the acceptance of technology rather than on people. The research corroborated the conceptual framework stating that if skills can be upgraded there will be greater will to use Mobile banking by consumers. Inhibitory factors like trust, gender, education, culture, religion, security, and price can have minimal effect on consumer mindset towards Mobile banking.

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## **INTRODUCTION:**

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India.

Mobile banking has the potential to bring a whole host of people that have no/little access to land lines/internet connections onto the electronic platform – an innovative way to generate financial inclusion. To do so successfully will require customer training, technology stabilization and managing carefully the ‘know your customer’ issues. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. Mobile banking that has revolutionized the banking industry worldwide has turned out to be the nucleus issue of various studies all over the world.

## **NEED FOR THE STUDY:**

In present system a lot of traditional works are done either in manual process or using internet. The systems like reservations, banking and other things were done using internet or manually. So that many times user must go to either out lets or internet service centers but they cannot do all transactions of banking in some special situations like if they are in journeys or if they are busy But this is the main disadvantage in preset situation. To avoid this problem the banks have introduced a special type of mobile application called Mobile Banking.

Customers have started perceiving the services of bank through mobile as a prime attractive feature than any other prime product features of the bank. Customers have started evaluating the banks based on the convenience and comforts it provides to them. Bankers have started developing various product features and services using mobile applications.

This study is intended to identify the various concepts about mobile banking and its way of functioning

- To identify the target customer for mobile banking in IOB
- To identify the level of awareness of mobile banking in IOB.
- To gain an Idea of the perception of people about mobile banking in IOB.
- Create awareness among people in mobile banking & convince them to open bank A/C in IOB.

### **OBJECTIVES:**

- To study on customer perception towards Mobile Banking in Indian overseas bank Chennai
- To identify the level of awareness of mobile banking in IOB.
- To identify the target customer for mobile banking in IOB.
- To gain an Idea of the perception of people about mobile banking in IOB.
- Create awareness among people in mobile banking & convince them to use it.
- To ascertain suggestions from the customers for further improvement of the institutions.

### **Mobile Banking Business Models:**

A wide spectrum of Mobile/branchless banking models is evolving. However, no matter what business model, if mobile banking is being used to attract low-income populations in often rural locations, the business model will depend on banking agents, i.e., retail or postal outlets that process financial transactions on behalf telecom companies or banks. The banking agent is an important part of the mobile banking business model since customer care, service quality, and cash management will depend on them. Many telecom companies will work through their local airtime resellers.

These models differ primarily on the question that who will establish the relationship to the end customer, the Bank or the Non-Bank/Telecommunication Company. Another difference lies in the nature of agency agreement between bank and the Non-Bank. Models of branchless banking can be classified into three broad categories - Bank Focused, Bank-Led and Nonbank-Led.

### **Bank-focused model:**

The bank-focused model emerges when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its existing customers. Examples range from use of automatic teller machines (ATMs) to internet banking or mobile phone banking to provide certain limited banking services to banks' customers. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking.

### **Bank-led model:**

The bank-led model offers a distinct alternative to conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees. This model promises the potential to substantially increase the financial services outreach by using a different delivery channel, a different trade partner having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank-based alternatives.

### **Non-bank-led model:**

The non-bank-led model is where a bank does not come into the picture (except possibly as a safe-keeper of surplus funds) and the non-bank (e.g. telco) performs all the functions.

### **Mobile Banking Services:**

Mobile banking can offer services such as the following:

Account Information:

1. Mini-statements and checking of account history
2. Alerts on account activity or passing of set thresholds
3. Monitoring of term deposits
4. Access to loan statements
5. Access to card statements
6. Mutual funds / equity statements
7. Insurance policy management
8. Pension plan management
9. Status on Cheque, stop payment on Cheque
10. Ordering Cheque books
11. Balance checking in the account
12. Recent transactions
13. Due date of payment (functionality for stop, change and deleting of payments)
14. PIN provision, Change of PIN and reminder over the Internet
15. Blocking of (lost, stolen) cards

**Payments, Deposits, Withdrawals, and Transfers:**

1. Domestic and international fund transfers
2. Micro-payment handling
3. Mobile recharging
4. Commercial payment processing
5. Bill payment processing

Especially for clients in remote locations, it will be important to help them deposit and withdraw funds at banking agents, i.e., retail and postal outlets that turn cash into electronic funds and vice versa. The feasibility of such banking agents depends on local regulation which enables retail outlets to take deposits or not.

A specific sequence of SMS messages will enable the system to verify if the client has sufficient funds in his or her wallet and authorize a deposit or withdrawal transaction at the agent. When depositing money, the merchant receives cash and the system credits the client's bank account or mobile wallet. In the same way the client can also withdraw money at the merchant: through exchanging sms to provide authorization, the merchant hands the client cash and debits the client's account.

### **Investments:**

1. Portfolio management services
2. Real-time stock quotes
3. Personalized alerts and notifications on security prices

### **Support:**

1. Status of requests for credit, including mortgage approval, and insurance coverage
2. Cheque book and card requests
3. Exchange of data messages and email, including complaint submission and tracking
4. ATM Location

### **Content Services:**

1. General information such as weather updates, news
2. Loyalty-related offers
3. Location-based services

Based on a survey conducted by Forrester, mobile banking will be attractive mainly to the younger, more "tech-savvy" customer segment. A third of mobile phone users say that they may consider performing some kind of financial transaction through their mobile phone.

But most of the users are interested in performing basic transactions such as querying for account balance and making bill payment.

## **METHODOLOGY:**

### **Descriptive Research Design**

Descriptive research includes surveys and fact-findings enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs, as it exists at present. The main characteristic of ex-post facto method is that the researcher has no control over the variables; he can only report what has happened or what is happening. The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlation methods

## **SAMPLING PLAN:**

- **Population:** 2000
- **Sample size:** A sample of **250** was chosen for the purpose of the study. Sample consisted of various customer sectors belonging to IOB.
- **Sampling Method:** In this study, Simple Random Sampling is being used for selecting the sample.
- **Field Study:** Directly approached respondents (businessmen, small shopkeepers, physical commodities traders and service class people).

**PERCENTAGE ANALYSIS:**

**Table 1: GENDER WISE RESPONDENT**

GENDER	NO. OF RESPONDENTS	PERCENTAGE
Male	160	64
Female	90	36
TOTAL	250	100

**Table 2: EDUCATIONAL QUALIFICATION**

EDUCATIONAL QUALIFICATION	NO. OF RESPONDENTS	PERCENTAGE
School level	27	11
Diploma	60	24
Under Graduate	103	41
Post Graduate	60	24
Total	250	100

**Table 3: OCCUPATION OF THE RESPONDENTS**

EDUCATIONAL QUALIFICATION	NO. OF RESPONDENTS	PERCENTAGE
Self – Employed	25	10
Salaried	165	66
Students	40	16
Housewives	20	8
Total	250	100

**Table 4: ANNUAL INCOME**

ANNUAL INCOME	NO. OF RESPONDENTS	PERCENTAGE
Less than 1lakh	25	10
1 - 3lakh	40	16
3lakh - 5lakh	125	50
above 5lakh	60	24
Total	250	100

**Table 5: YEARS OF RELATIONSHIP WITH IOB**

YEARS	NO. OF RESPONDENTS	PERCENTAGE
less than 1 year	45	18
1-3 years	65	26
3-5 years	57	22.8
Above 5 years	83	33.2
Total	250	100

**Table 6: AWARENESS OF MOBILE BANKING IN IOB**

AWARE OF MOBILE BANKING	NO. OF RESPONDENTS	PERCENTAGE
Yes	135	54
No	115	46
Total	250	100

**Table 7: FREQUENCY USING OF MOBILE BANKING IN IOB**

FREQUENCY OF USING MOBILE BANKING	NO. OF RESPONDENTS	PERCENTAGE
Daily	12	9
Weekly	31	23
Monthly	70	52
As and when needed	22	16
Total	135	100

**Table 8: PURPOSE OF USING IOB MOBILE BANKING**

Purpose	No. Of respondents	Percentage
A/c checking	32	24
Recent Transaction	18	13
Instruction to bankers	15	11
Operate between A/c	29	21
Ticket booking	6	4
Payment of bills	16	12
Online stock trading	14	10
Others	5	4
Total	135	100

**Table 9: Ranking of factors considered for mobile banking**

Factors	Rankings				
	1	2	3	4	5
Response Time	46	19	29	27	14
Security	59	22	19	27	8
Complaint resolution	32	35	24	17	27
Informative	27	35	32	14	27
Easy Accessibility	40	27	28	24	16
Service charges	19	48	38	27	3

**FINDINGS:**

1. The survey shows that a majority of users were between the age group of 30-40. The internet banking does not seem popular among the above 50 age group with only 12% representing the sample size.
2. Among the respondents a significant percentage i.e. 41% of the sample are graduates and post graduates and diploma holders and negligent percentage are school students.
3. Majority of the users are the salaried class who form 66% of the sample size. The students are the next frequent user while self employed and professional formed the next category.
4. The top layer of the society i.e. people drawing a salary of more than Rs. 30,001 every month are the maximum users of mobile banking, the next being the 10,001 to 20,000 group. The mobile banking and the income level seem to be directly proportional.
5. There are respondents who use mobile banking monthly (52%), weekly basis (23%), daily basis (16%), and as and when required (9%). A substantial number of respondents

still use it only when required and the banker have to attract such customers towards frequent usage

6. It is observed that 74% of the respondents are aware of Mobile Banking in IOB and 26% of the respondents are not aware of Mobile Banking in IOB.
7. A note worthy section of the customers use mobile banking to operate between accounts (21%) and to check their account balance (24%) while the others used it for giving instructions to bankers (11%) and online trading (10%), payment of bills (12%), account statement generation (13%).
8. The survey shows that 34% of the users feel response time is the most important factor.
9. There was a highly positive response of 44% in the category of security.
10. From the statistical analysis it seems that most of the customers are satisfied with the Mobile banking service provided by Indian overseas bank.

### **SUGGESTIONS & RECOMMENDATIONS:**

1. The users among the female segment are quite low as compared to their male counterparts. The banks need to educate housewives and working ladies in order increase their customer base and to encourage the female segment to use this facility.
2. The mobile banking is popular among the youth. If trend continues then the banks would be catering only to the niche market, so efforts must be made to bring in the age group of 40 and above.
3. Only the elegant and educated classes of the country like the graduated and post-graduates do the mobile banking. The banks should also target the non-graduates and business men.
4. The salaried part forms a majority of the population. The usage level among the students, professionals and self-employed need to be increased to a larger extent.
5. The survey shows that a majority of the users from the top layer of the economic society i.e. people with an annual income of more than 30,001. As the income decreases the mobile banking habits seemed to be unpopular. Though mobile banking is catering to the needs of the higher income group it is time that this facility flowed on to the lower group income group also.

6. Above 50% of the users use mobile banking monthly. 16% of them use it for daily this frequency of usage need to be increased through internet advertising, promotional schemes, and promotional offers, value added services etc...
7. The silver lining is that 50% of the customers receive information on various promotions schemes. The bankers can here by send mails and individual letters to the mobile banking users as well as the customers to inform and educate the customer about the other facilities available.
8. Banks should develop the belief of usefulness and ease of use by providing sufficient information on the benefits of mobile banking. In order to achieve this, banks should provide user manual that contains details on mobile banking, including usefulness and ease of use. Banks should also have counters for mobile banking customers

### **CONCLUSION:**

Mobile banking in India is in growth; approximately 43 million urban Indians used their mobile phones to access banking services during quarter ending August, 2009, a reach of 15% among urban Indian mobile phone user. Today, it is a known fact that a mobile phone is not just a communication tool but a multitasking device that throws ample opportunities for businesses. The mobile banking concept addresses the limitation of Internet banking. Still the users face many problems right from the telecom operator to banks, the handset to software application support for using services. Above that still there's lack of trust while using mobiles for banking, so IOB has to take responsibility to create awareness among the people about Mobile banking and try to increase their customers count.

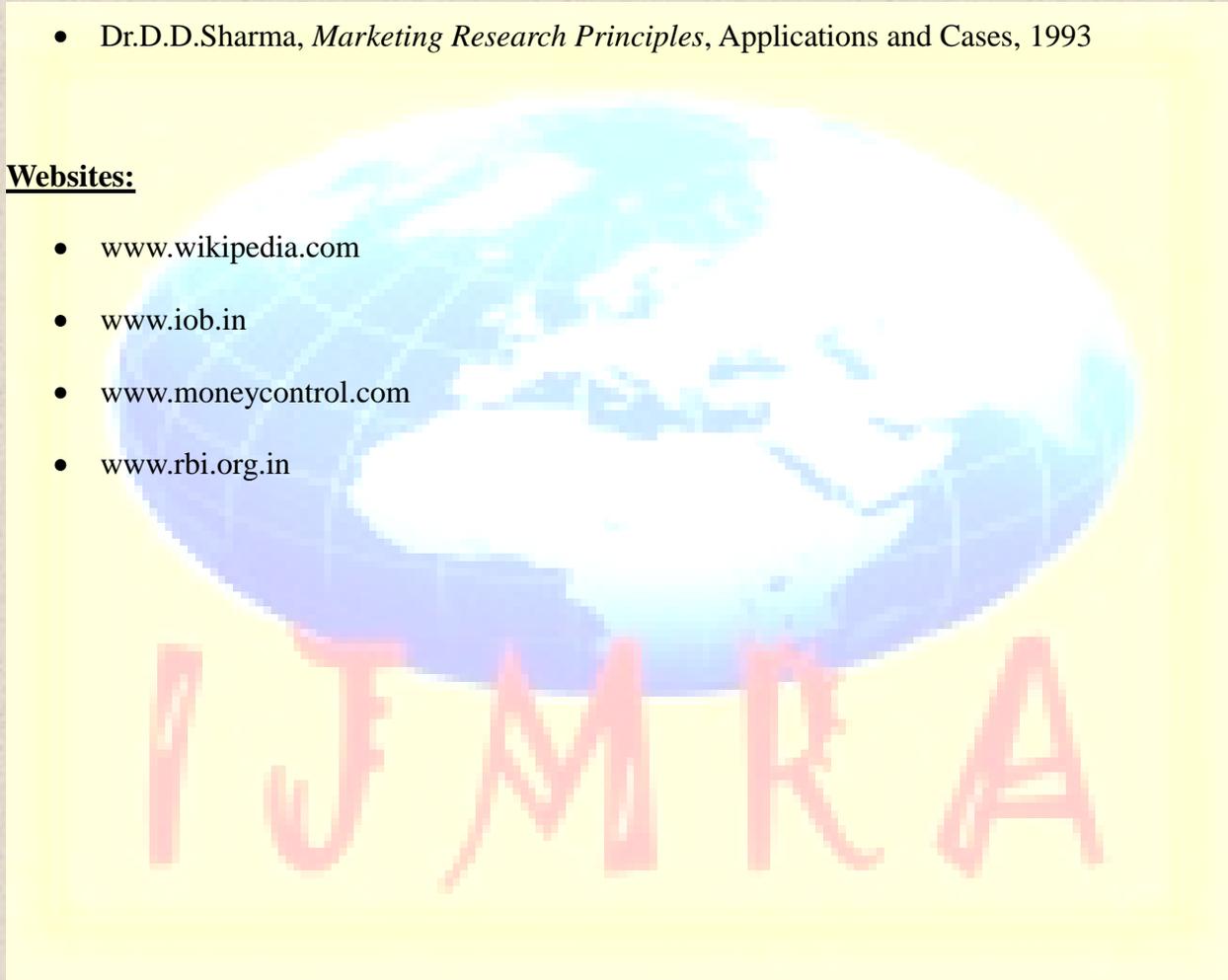
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