

An Exploratory Study on Internet Banking Usage in Semi - Urban Areas in India

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Abstract- Internet banking or online banking has revolutionized an integral activity of our modern twenty first century lives – ‘banking’. Internet banking is conducted through a PC, PDA, a hand-held communication gadget or any mobile device offering Internet connectivity but with the development of Hi-Tech asynchronous technologies and secured electronic transaction technologies, however, more banks have come forward to use Internet banking both as a transactional as well as an informational medium. Even after having so many advantages, still some factors are there, which affects its usage. There are some of the psychological and behavioral factors which affect the adoption of any new innovation such as Internet banking include consumer awareness, ease of use, security, accessibility, techno phobia or simply reluctance to change, preference for personalized services and cost of adopting the innovation. This research paper was focused on to identify the factors that are the barriers for the usage of internet banking services and also to study the perception of customer about internet banking. The study was exploratory in nature and sample size considered for the study was 100 respondents, those were having account in that banks, which provide the Internet Banking facility, but they are not using it. The primary data was analyzed by factor analysis and identify the nine factors i.e. cost, reliability, processing barriers, security issues, technological incontinence, lack of infrastructure, conventional approach, risk and resistance, which were the barriers in the usage of Internet Banking services in the semi-urban areas.

Index Terms: Internet banking, online banking, mobile device, consumer awareness, Internet Banking facility, Internet Banking services, semi-urban areas, processing barriers, security issues, technological incontinence, lack of infrastructure, conventional approach, psychological and behavioral factors.

I. INTRODUCTION

One of the technologies which really brought information revolution in the society is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. Advent and adoption of Internet by the industries has removed the constraint of time, distance and communication making globe truly a small village. Financial sector being no exception, numerous factors such as competitive cost, customer service, increase in education and income level of customers, etc. influence banks to evaluate their technology and assess their electronic commerce and internet banking strategies. In the last three decades, the Internet has grown to become one of the most amazing technological and social accomplishments of the last century. Millions of people, most of them are not computer coordination researchers or experts, now they are using this complex, interconnected network of computer. The computers are located in almost every country of the world. Every year, billions of dollars change hands over the Internet in exchange for all kinds of products and services. All of this activity occurs with no central point or control, which is especially ironic given that the Internet began as a way for the military or maintains control while under attack. The opening of the Internet to business activity helped dramatically increase the growth, however there was another development that worked hand in hand and with the commercialization of the Internet to spur its growth. That development was the World Wide Web (Schneider, 2007). The Internet is rapidly turning out to be a tool of world wide communication. The increasing use of Internet earlier promoted producers and entrepreneurs to sell their products online. It has also become an important source of information and knowledge. Due to this, many banking and finance organizations have come up with the idea of Internet banking or online banking.

Internet banking allows banking from anywhere, anytime and is used for transactions, payments, etc. over the internet through a bank, a credit union or society’s secure website. Internet banking, a client has one-to-one interaction with the bank’s website, and in such a situation it is essential on the part of bank to provide high quality services over the internet. As compare to traditional banking, Internet banking involves non-human interactions between customers and online bank information system. Customer satisfaction, customer retention and new customer acquisition are the key factors in Internet banking system (Khan, Mahapatra and Sreekumar,2009). Internet Banking is a term used to describe banking transactions that are performed via a secured Internet application. These transactions include such things as paying bills, transferring funds, viewing account statements and paying down loans and mortgages. Although Internet Banking has been popular among young Internet-savvy people for many years, its popularity is expected to grow rapidly as Internet usage grows internationally and people discover the many advantages that it provides. Internet Banking can be defined as a facility provided by banking and financial institutions that enable the user to execute bank related transactions through Internet. The biggest advantage of Internet banking is that people can expend the services sitting at home, to

transact business. Due to which, the account holder does not have to personally visit the bank. With the help of Internet banking many transactions can be executed by the account holder. When small transactions like balance inquiry, record of recent transaction, etc. are to be processed, the Internet banking facility proves to be very handy. The concept of Internet banking has thus become a revolution in the field of banking and finance. (Scholasticus) .In India all the large banks has introduced Internet banking services, but adaption of this service is less because access to the Internet was limited, high-speed Internet connection were rare and e-business applications were clunky. Customer has discovered that they are able to pay bills, transfer funds and check transactions 24 hours a day from the comfort of their homes. Many banks provided financial incentives to encourage clients to adopt self-service banking channels over "at the teller" full service banking. In addition to Internet Banking, this included the use of Automated Teller Machines (ATM) and Interactive Voice Recognition (IVR) telephone banking services. From the perspective of banking products and services being offered through Internet, Internet banking is nothing more than traditional banking services delivered through an electronic communication backbone, viz, Internet. But, in the process it has thrown open issues which have ramifications beyond what a new delivery channel would normally envisage and, hence, has compelled regulators world over to take note of this emerging channel. Some of the distinctive features of internet banking are: it removes the traditional geographical barriers as it could reach out to customers of different countries / legal jurisdiction, it has added a new dimension to different kinds of risks traditionally associated with banking, heightening some of them and throwing new risk control challenges, and security of banking transactions, validity of electronic contract, customers' privacy etc., which have all along been concerns of both bankers and supervisors have assumed different dimensions given that Internet is a public domain, not subject to control by any single authority or group of users.

II. LITERATURE REVIEW

Almost everyone who you come across these days seems to be using Internet banking and the traditional customer bank manager relationship has been replaced by a password. Internet banking is not only convenient for customers, it also negates the need for keeping some bank branches open for 24 hours a day to provide unparalleled customer service. In addition to that providing the Internet banking option for a bank may require some amount of initial investment, but the costs can be covered soon due to the speed with which customers can be handled and the cut backs on overtime and establishment costs. Internet banking also reduces the amount of administrative work that is otherwise required to manage a bank branch. Based on the large number of people who are turning towards Internet banking, future plans of opening branches across cities can be curbed to some extent, making large investments unnecessary. In fact, today everything is possible on Internet banking starting from request of a new check book, statement downloads, transfer of monies, e-payments and more. Added to that is the freedom from travelling all the way to the branch and avoiding the traffic are reason enough for the customer to choose Internet banking over traditional banking options. The i-banking, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services (Arunachalam and Sivasubramanian, 2007). Internet banking is a new delivery channel for banks in India. The i-banking channel is both an informative and a transactional medium. However, i-banking has not been popularly adopted in India as expected (Ravi et al., 2007).

The findings of this study shown that the level and nature of customer participation had the greatest impact on the quality of the service experience and issues such as customers' zone of tolerance, the degree of role understanding by customers and emotional response potentially determined, expected and perceived service quality (Broderick and Achirapornpuk,2002). This study suggested that consumer perceptions of transaction security, transaction accuracy, user friendliness and network speed are the critical factors for success in Internet banking (Liao and Cheung,2003).

III. RESEARCH OBJECTIVE

- To explore the factors impeding the usage of Internet Banking in semi urban area.
- To study the importance of Internet Banking in Indian scenario.

IV. RESEARCH METHODOLOGY

The Study: The study was exploratory in nature to identify the factors that are the barriers for the usage of Internet banking in the semi-urban areas.

The Sample: For the study sample size was 100 respondents and resident of 17 semi urban areas of Madhya Pradesh and out of these 20 responses were rejected due provided incomplete information. The respondents considered for the study were those are having their account in bank which providing Internet banking facility, but they were not user of it. The respondent profile was as 60 male and 20 female. The study was conducted during the period of January to May, 2011.

Tools for Data Collection: The study was based on the primary data. To collect primary data a self-designed structured tool at five point Likert's scale (in which '1' stood for strongly agree and '5' for strongly disagree. was developed with 32 items related to barriers

in usage of Internet banking in semi-urban areas. At five percent level of significance total 31 significant items were identified for the study.

Tools for Data Analysis: The collected data was analyzed in two steps i.e., in first step collected data was tabulated and in second step factor analysis was employed.

V. RESULTS AND DISCUSSION

As the result of factor analyses following nine factors were emerged as the barriers in the usage of Internet Banking services in semi urban area (Table 1).

Table 1: Identified factors for barriers in usage of Internet Banking

Factor	Name of the Factor	Factor Load
Factor 1	Cost	3.255
Factor 2	Reliability	2.462
Factor 3	Processing Barriers	1.982
Factor 4	Security Issues	2.563
Factor 5	Technological Inconvenience	3.000
Factor 6	Lack of Infrastructure	1.588
Factor 7	Conventional Approach	2.185
Factor 8	Risk	0.77
Factor 9	Resistance	0.617

Factor 1: Cost – This factor emerged out with maximum factor load of 3.255. It was comprised of five items related barriers in usage of Internet banking in semi-urban areas with the load of i.e. addition cost (0.849), no personal need (0.783), billing cost (0.643), hidden cost(0.537) and not convenient(0.443). In this factor item load shows that customer having the fear towards cost related and due to this they were not using the Internet banking services in semi-urban areas.

Factor 2: Reliability – This factor had 2.462 factor load. This factor was constituted of four items with the specific loads i.e. trust on transaction with bank authentication (0.736), no one will take responsibility of loss (0.621), believe in presence of human being as compared to machine (0.575) and does not provide physical evidence (0.530). In this factor customer preferred traditional banking approach due to provides physical authentication and evidence, having perception that in case of any loss of money no one is responsible and preferred to human being presence as compared to machine.

Factor 3: Processing Barriers - This factor had 1.982 factor load. It was comprised of three items with there load i.e. difficult to retain username and password (0.843), believe in traditional banking (0.596) and influenced by peer group suggestion to no use of Internet banking (0.543). This factor identified the perception of customers in semi-urban areas were not able to retain username and password or any other information related to Internet Banking and believe only on traditional approach and relay on peer group suggestions to not usage of Internet banking

Factor 4: Security Issues - This factor comprised of four items with the factor load of 2.563. In this factor items considered by the customer for barriers of usage of Internet banking in their areas were loss of money due to by mistake select incorrect option(0.820), money will be lost if website is crashed (0.809), virus can affect account information (0.480) and someone can access account information (0.454).

Factor 5: Technological Inconvenience - This factor emerged out with factor load of 3.000. It was comprised of four items with the item load i.e. bank website is very complex (0.823), bank server are always down (0.760), bank does not provide any training session

(0.712), virus can affect account information (0.705). This factor indicated that customer were having technological inconveniences for the use of internet banking to access of the website for a particular bank is difficult and not provided any training session to learn the use of internet banking.

Factor 6: Lack of Infrastructure - This factor comprised of two items with the factor load of 1.588. In this factor items considered by the customer for not usage of the Internet banking in there areas were i.e. frequently electricity shutdown (0.839) and due to conventional option available they don't need of this facility in their area (0.749). This factor indicated that the major problem in semi-urban areas were irregular supply of electricity and because of that customer having fear in their mind to face problems for any transaction and due to conventional bank option is available so they don't feel the need of Internet banking services

Factor 7 : Conventional Approach – This factor emerged out with factor load of 2.185. It was comprised of three items impeding the usage of Internet banking in semi-urban areas with the load i.e. peer group does not use Internet banking (0.806), there is no direct interaction with bank employee at the time problem face (0.694) and enjoy traditional banking to help develop personal networking (0.685). In this factor item load shows that customer having the fear towards cost related and due to this they were not using the Internet banking services in semi-urban areas. In semi-urban areas customer's perception toward barriers in usage of Internet banking was due to most of the peer group members also not use this facility, and they feel that during the transaction if they face any problem, in this situation at that time availability of responsible employee is must to solve their problems or can guide to them.

Factor 8: Risk - This factor had 0.77. It was comprised of three items with there load i.e. bad past experience (0.797), bank employee can misuse account information (0.526) and bank not provide guarantee for security (0.499). In semi-urban areas customer has mind set based on to bad past experiences shares by other users. And also have a risk factor for misuse of their account information by bank employee and no guarantee provided by the bank for any security issues.

Factor 9: Resistance - This factor emerged out with factor load of 0.617. It was comprised of three items with the item load i.e. don't want to use anyway (0.661), time consuming process (0.586) and they think internet banking is only for urban people (0.542). This factor indicated that customer's of semi-urban areas were having resistance towards usage of Internet banking, anyway they don't want to use it or not ready to accept the changes and feel that technological facilities are useful only for urban customer . And have perception of time consuming process as compared to conventional process.

VI. CONCLUSION

Internet banking can be considered a remarkable development in the banking sector. The ability to carry out banking transactions through the Internet has empowered customers to execute their financial transactions within the comfort of their homes. Internet banking provides benefits both bankers and customers alike. For the bankers this system is cost-effective, as it has considerably reduced the administrative costs and paperwork related to the transactions. Besides, banks can also cater to the needs of thousands of customers at the same time. Conventional banking has always been slow and time consuming. But, Internet banking has tremendously reduced the time required to process banking transactions, thereby making banking faster and convenient. With many other advantages the greatest advantage of Internet banking lies in the fact that customers are no longer required to wait in those long and wearisome queues of the banks to request a financial transaction or statement. With the help of Internet banking, customer can access any information regarding their account and transactions, any time of the day. Therefore, customer can regularly monitor their account as well as keep track of financial transactions, which can be of immense help in detecting any fraudulent transaction. In addition to this, fund transfers, both national and international, have also become faster and convenient. There are lots of advantages of Internet Banking services like; time saving, minimum efforts, cost saving, easiness and many more. But, most of the people in India especially in the rural and semi-urban areas are not using these services. This study was focused on to semi-urban areas customer's perception towards impeding the usage of Internet banking and in this study identified nine factors i.e. cost, reliability, processing barriers, security issues, technological incontinence, lack of infrastructure, conventional approach, risk and resistance. To increase the use of Internet banking in semi-urban areas carrying out Internet banking properly, a basic knowledge of computers and the Internet is required, which limits the number of people willing to avail this facility as till date 60% of india population still stay in village where internet development is moving at very steady rate hence it is most important to develop Internet Banking services in remote areas of India. Many people, who are not comfortable with computers and the Internet, often find it difficult to use internet banking. Therefore, for beginners, Internet banking is really time consuming process. In addition to this, people also find a difficulty in trusting a completely mechanized system like Internet Banking, in case of financial matters. In many instances, a simple mistake, like clicking a wrong button, may create a big problem. However, this uneasiness can be avoided by printing the transaction receipt and keeping it with oneself, until the bank statement is received. However, with the advances in technology, many banks have taken the adequate measures to ward off any problems related to the security of internet banking and providing easy way to access it.

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