

A STUDY ON ADOPTION OF INTERNET BANKING AT SELECTED PUBLIC AND PRIVATE SECTOR BANK

Dr.S.P.Dhandayuthapani⁽¹⁾, G.Tamilarasan⁽²⁾

1 Assistant Professor, 2 Final year Student

1,2 Department of Management Studies,

1,2 Anna University (BIT Campus), Tiruchirappalli, Tamil Nadu, India

ABSTRACT

In this modern world banking sector has emerged as a vital service sector and enlarge its function as per the requisite of the customers. Most of the banking customers are interesting in internet banking because of the facilities provided by the bank. Development of computer technology, especially the internet has created the industry supply services to customers in additional economical ways. As result, the internet banking services have been considerably expanded by some banks and substantially used by some customers in India. This paper is an attempt to study the adoption of internet banking at selected public and private sector bank. The design of the research is descriptive research. The technique used for this study is census survey. Here the tools used are chi square test. In chi square test is used to find the association between the variables. These tools are used in SPSS software and the result has explained.

KEYWORDS : Internet banking , E-commerce, Transactions, Private bank, Public bank

INTRODUCTION

Today the world has become smaller due to internet. The banking industry has started to use internet for their day to day operations. Still there are some users apprehensive about use of internet banking. Several factors influence the use of internet banking such as usefulness, perceived ease of use, self-efficacy, risk, relative advantage, compatibility, trialability, observability, intention to use and actual use.

Internet banking is making dramatic changes for the banking system. Internet banking is defined as an internal portal, through which customers can use different kinds of banking services ranging from bill payment to making investments. Banking is done virtually from

¹Assistant Professor, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: drdhandayuthapani@gmail.com

²Final Year Student, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: vgrtamil@gmail.com

several wherever if one includes a laptop and web property. Internet banking helps customers in conducting quick and convenient money dealings activities.

In several countries, internet banking has gained wide acceptance and India is no onlooker to this phenomena. Banks in india started embracing technology in a massive way in the 90's led specifically by the new non-public banks and transnational banks. The growing competition an growing expectations led to augmented awareness amongst banks on the role and importance of technology in banking, forcing banks to go in for the latest technologies thus on meet the threat of competition and retain their client base .

STATEMENT OF THE PROBLEM

Internet banking has developed as one of the most profitable Digital economy applications over the last decade. Although several prior research projects have focused on the factors that impact on the adoption of information technology or Internet, there is limited empirical work which simultaneously captures the factors such as perceived usefulness, perceived ease of use, self efficacy, relative advantage, compatibility, trial ability, observability, intention to use and actual use on adoption of internet banking to propose a theoretical model to explain customers' intention to use internet banking using SEM in AMOS. SEM analysis was performed to examine the composite reliability, convergent validity and goodness of fit of measurement models. Our study poses to study about the usage of internet banking among customers .

SCOPE OF THE STUDY

The study belongs to marketing management area of management science. Adoption of an innovation is a marketing phenomenon. This study primarily attempts to study the adoption of internet banking in public and private banking sectors in Trichy region. The study results will be useful to banks in public and private sectors. This study will also provide information inputs to banking customers.

¹Assistant Professor, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: drdhandayuthapani@gmail.com

²Final Year Student, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: vgrtamil@gmail.com

REVIEW OF LITERTURE

Ongkasuwan (2002) observed that in Asia and the Pacific, many banks, lending organisations, credit companies such as VISA, and computer vendors such as IBM have formed alliances in order to develop internet banking service standards for their customers. Banks in Singapore, Australia, Indonesia, Korea, Hong Kong, Taiwan, and Thailand formed an organization called Interactive Financial Services (IFS). Through IBM's Global Network Standard, members are able to provide and exchange their internet banking services to their alliance customers. This will eventually allow seamless, interactive banking and other e-business services across these banks around the world.

Edwin Cheng T.C, David Y.C. Lam and Andy C.L. Yeung investigated that how customers perceive and adopt Internet Banking (IB) in Hong Kong. They developed a theoretical model based on the Technology Acceptance Model (TAM) with an added construct Perceived Web Security, and empirically tested its ability in predicting customers' behavioral intention of adopting IB. They analyzed the data using Structured Equation Modeling (SEM) to evaluate the strength of the hypothesized relationships, if any, among the constructs, which include Perceived Ease of Use and Perceived Web Security as independent variables, Perceived Usefulness and Attitude as intervening variables, and Intention to Use as the dependent variable. This study contributes to the literature by formulating and validating TAM to predict IB adoption, and its findings provide useful information for bank management in formulating IB marketing strategies.

Pyun et al. (2002) assessed the status of Internetbanking within the U.S., Japan and Europe, Gurau (2001) investigated web banking in Balkan nation, and Waite and Harrison (2002) explored factors tributary to client satisfaction and discontent with the web information provided by retail banks. Research on the adoption of web banking has been conjointly active within the past few years. A significant part of this work has also focused on the process by which adoption occurs or the demand aspect of diffusion (Brown, 1981; Roger, 1995).

In a study on the adoption of web banking in Australia, Sathye (1999) reported that security concerns and the lack of awareness stand out as the main reasons for the failure to adopt Internet banking by customers.

¹Assistant Professor, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: drdhandayuthapani@gmail.com

²Final Year Student, Department of Management Studies, Anna University, BIT Campus, Trichy. E-mail: vgrtamil@gmail.com

Polatoglu and Ekin (2001) undertook an identical study on the acceptance of web banking services in Turkey whereas Balachandher et. al (2000) examined the factors that have an effect on the adoption of web banking in Malaya.

Parasuraman et al. (1985; 1988) distinguish a method and an outcome dimension, whereas Gronroos (1984) makes a distinction between functional and technical quality.

According to **Gronroos (1984)**, the process or functional quality refers to “how” the service is delivered, while the outcome or technical quality refers to “what” customers receive, the benefits of using the service. This study focuses on ‘how banks in India area unit delivering services over Internet’ i.e. the ‘process’ or ‘functional’ quality of web banking services and not on the ‘technical’ or ‘outcome quality’. Henceforth, throughout this paper, ‘service quality’ shall be accustomed confer with ‘functional’ or ‘process’ quality.

R.K.Uppal (2008) empirically analyzes the quality of e-banking services in the changing environment. He concluded that most of the customers of e-banks are satisfied with the different e-channels and their services, but the lack of awareness is a major obstacle in the spread of e-banking services.

Internet banking services are crucial for long-term survival of banks in the world of electronic commerce (Benham 1996). The marketplace for web banking is forecast to grow sharply within the next few years, poignant the competitive advantage enjoyed by ancient branch banks (Liao et al. 1999).

Chung & Paynter (2002) evaluated the state of internet banking in New Zealand by assessing the websites of seven banks using a tailored e-commerce model. The results showed that most of the banks had up-to-date information on their websites and that security and complex nature of internet banking operations are the hindering factors. Al-Sahbagh & Molla (2004) investigated the factors affecting customers’ acceptance of internet banking in the sultanate of Oman. The study revealed that in only two banks were offering internet banking services then. They however, noted that some of banks in Oman were deliberating about going online even though internet banking is still relatively a recent phenomenon in some of Arab countries.

From Chung & Paynter’s (2002) and Molla’s (2004) surveys and perspectives, one of the major factors affecting the adoption of internet banking is the security issue. Customers need

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to be properly informed on how to use internet banking to ensure and guarantee safety in their operations and transactions. Achour and Bensedrine (2005) examined the current situation of internet banking services in Tunisia. The research was done in two separate sections. The first section evaluated internet banking services, while the second section analyzed the Tunisian online brokerage network. The study reveals that online database services in the Tunisian banking sectors are still in the early stage of adoption.

Awamleh and Fernandes (2005) employed the Denis model to investigate websites of local foreign banks in the United Arab Emirates (UAE). The study evaluated the extent of accessibility and features which could influence customer satisfaction and adoption. The results showed that internet banking in the UAE is still in its early stage; therefore, banks' websites had no adequate features. The study recommended banks to ensure adequate infrastructures with well-appealed websites to be considered for the aforementioned banks in order to encourage customers to take advantage of it.

Khalfan, A. (2006), also investigated the factors influencing the adoption of internet banking in Oman. The study focused on identifying the key factors that prevent the adoption of e-commerce in Oman banks. Whilst the study showed a slow understanding of e-commerce applications in the banking sector, it pointed to a number of internal and external factors responsible for the slow implementation. Results of the study showed that the confidentiality and the protection of privacy were the most important obstacles, as banks resisted e-banking for fear of exposure to piracy and the threat of viruses. The results also showed that weak administrative support is a hampering factor in the adoption of e-commerce applications. In general, the application of e-commerce was slow in the Arabian Gulf despite the conviction that the application of e-commerce reduced the administrative costs. Moreover, the study showed that the failure to protect the customers, the cost of investment in technology, and the lack of readiness of the market made the electronic banking discouraging. These factors impeded the spread of electronic banking in Oman.

Khalid et al (2006) conducted a study on customer satisfaction with internet banking in Jordan. The study focused on a number of factors such as the customer support, security, ease of use, services and electronic products, information content and innovation. The results showed

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poor customer satisfaction with internet banking in all the above mentioned factors. The researchers recommended the institutions to further customer satisfaction by improving most of the above factors.

OBJECTIVES OF THE STUDY

- To examine the awareness of internet banking among the banking customers.
- To study about the adoption rate of internet banking among the banking customers.
- To assess the benefits accrued due to adoption of internet banking.
- To offer concrete suggestions for the better use of internet banking in the banking sectors.

RESEARCH METHODOLOGY

Research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusion; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

Methodology indicates a particular technique for gathering and examination of information. It is an approach to methodically take care of the examination issue. It is vital for the scientist to know the exploration strategies/procedures yet in addition strategy.

Research methodology is a way to deal with proficiently deal with the investigation issue. It may be appreciated as a specialty of looking at how ask about is done deductively. In it we think about the distinctive advances that are ordinarily gotten by an expert in considering his examination issue nearby the basis behind them. It is essential for the researcher to know the investigation methodologies yet also framework.

RESEARCH METHODOLOGY

RESEARCH

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The use of things, ideas or symbols for the aim of generalizing to unfold, correct or verify data, whether or not that data aids in construction of theory or within the observe of an art. Research in common idiom refers to a quest for data analysis is a tutorial activity

and intrinsically the term ought to be utilized in a technical sense. Research includes shaping and redefining issues, formulating hypothesis or advised solutions, collecting, organizing and evaluating information, creating deductions conclusions;

and eventually fastidiously testing the conclusions to determine whether they fit the formulating hypothesis.

RESEARCH DESIGN

Decisions concerning what, where, when, how much,

by what suggests that regarding associate inquiry or a pursuit study represent a pursuit style. A analysis style is that the arrangement of conditions for assortment and analysis of knowledge in an exceedingly manner that aims to mix relevancy to the analysis purpose with economy in procedure.”¹ The formidable downside that follows the task of process the analysis downside is that the preparation of the planning of the research, popularly called the “research design”

RESEARCH METHOD

DESCRIPTIVE METHOD

Descriptive research incorporates studies and actuality discovering enquiries of various types. The significant motivation behind engaging exploration is portrayal of the situation as it exists at present.

SAMPLING TECHNIQUE

In the project sampling it is done on the basis of non-probability sampling method. Among the non-probability sampling design, chosen is quota sampling technique.

Quota sample: The researcher finds and interviews a prescribed number of people in each several categories.

SAMPLE SIZE

80 samples taken from the college students in Trichy region.

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DATA COLLECTION

Questionnaire is sent to the people worried about a solicitation to reply and restore the poll. Survey comprises of a number inquiry includes both explicit and general inquiries identified with representative's conduct.

STATISTICAL TOOL USED

Correlation

Chi square

DATA ANALYSIS

1.CORRELATION - 1

Null hypothesis H0:

There is no significant relationship between education and usage of internet banking without any assistant.

Alternative hypothesis H1:

There is some significant relationship between education and usage of internet banking without any assistant.

Table – I

Correlations			
		education	q2
education	Pearson Correlation	1	.182
	Sig. (2-tailed)		.106
	N	80	80
q2	Pearson Correlation	.182	1
	Sig. (2-tailed)	.106	
	N	80	80

Calculated value = 0.182

Significance value = 0.106

Take the level of significance = 0.05

Result:

Since calculated significance=0.106 > significance value=0.05.

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Therefore **Accepted H1**.

Decision:

There is some significant relationship between education and usage of internet banking without any assistant.

2.CORRELATION - II

Null hypothesis H0:

There is no significant relationship between income and the type of bank used by the customers.

Alternative hypothesis H1:

There is some significant relationship between income and the type of bank used by the customers.

Table – II

Correlations			
		annualincome	type of bank
annualincome	Pearson Correlation	1	.212
	Sig. (2-tailed)		.102
	N	80	80
type_of_bank	Pearson Correlation	.212	1
	Sig. (2-tailed)	.102	
	N	80	80

Calculated value = 0.212

Significance value = 0.102

Take the level of significance = 0.05

Result:

Since calculated significance=0.102 > significance value=0.05.

Therefore **Accepted H1**.

Decision:

There is some significant relationship between income and the type of bank used by the customers.

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3.CHI SQUARE TEST

Null hypothesis H0:

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Alternative hypothesis H1:

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Table – III

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	13.697 ^a	4	.875
Likelihood Ratio	15.919	4	.824
Linear-by-Linear Association	1.620	1	.325
N of Valid Cases	80		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .20.

Chi-square result

Calculated value = 13.697

Degrees of freedom = 4

Tabulated value = 9.49

Significant Level = 5%

level Comparison = 13.697 > 9.49

Interpretation

Calculated chi-square value is greater than the table value. Hence H0 is rejected H1 is accepted. There is significance association between education and usage of internet banking without any assistant.

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CONCLUSION

Majority of the customers have awareness about internet banking, its benefits and services such as, debit card, bills payment, depository services and credit card. Also, it is concluded that awareness has significant effect and positively correlated on intention to use of internet banking. the demographic factors of the bank customers including age, gender, occupation, educational qualification, source of income, monthly earnings and marital status were found to have influences on adoption of internet banking. Psychological factors including Perceived Usefulness, Perceived Ease of use and Relative Advantage are found to be significant.

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