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## RESEARCH ARTICLE

### ATTITUDE OF CUSTOMERS TOWARDS INTERNET BANKING IN ERNAKULAM DISTRICT

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#### ABSTRACT

The performance of banking activity through internet has become a necessity since internet become popular among all age group. According to Internet and Mobile Association of India, 30% of respondents have a relationship with one bank, 60% with 2-3 banks, 8% with 4-5 banks and 2% with more than six banks. The survey conducted by them also pointed out that nearly 29% of respondents do not use online banking as they have concerns about the privacy of information. People are increasingly using net banking for a wide variety of purposes, as it is very convenient. Online banking has a major role to play in capital market transactions too. This paper explores the familiarity of internet banking services among the general public. The study indicates that even though this service provides a number of benefits to the stakeholders importance to be given to certain factors in order to explore the minds of stakeholders.

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## INTRODUCTION

Banking sector has witnessed a lot of technological development in the recent years and one among them is the usage of internet facilities for conducting banking services which has changed the traditional face of this industry. In this competitive world survival is possible only through the adoption of new technology and should cope with the changing environment. Internet-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. Internet banking is the outcome of the latest technology which makes the banking service available online. The changing needs and requirement of banking service seekers facilitated the development of new technology in banking sector. All the banking activities both traditional and modern services can be performed at home through internet. This facilities enable the customers make possible all the routine transactions, such as account transfers, balance inquiries, bill payment and stop payments requests and even some banks offer online loan and credit card Internet banking at their figure tip. Account information can also be accessed anywhere and at any time. E-banking came into being in UK and USA in 1920s. It became prominently popular during 1960 through electronic funds transfers and credit cards.

The concept of web-based banking came into existence in Europe and USA in the beginning of 1980s. It has been estimated that around 40 percent of banking transaction would be done through Net. A survey of Asian Internet users reveals that the rate of online banking has been doubled in recent two years with South Korea leading the field. China and Taiwan are waiting in the wings with enormous reserves of untapped potential. The ACNielsen Online Banking Report found that the total active online banking population had grown 63 per cent across the Asian economies of South Korea, Hong Kong, Singapore, China and Taiwan in the second half of 2001. Internet users say banking online is convenient and time-saving compared to traditional branch banking, making it a powerful Internet application. In India e-banking is of fairly recent origin. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e banking in India.

The customers in kerala are moving towards internet banking due to its convenience and accessibility. It is in this context the present study has been conducted. It aims to analysis the attitude of customers based on the internet banking facilities

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and point out the factors that drive the development of such services.

### Background of the study

The development of information technology revolutionised the banking sector. Internet banking is the outcome of the advanced technology. This led to the innovation of Internet banking facilities which made the banking services faster and cheaper delivery method (Jawahitha *et al.*, 2003). Furthermore, bankers see Internet banking as a strategic opportunity that can reduce transaction costs, enhance customer service, increase the customer base and improve cross-selling opportunities. Also, Internet banking is perceived more favorably by banks that offer it compared to those that do not (Schrick and Parzinger, 2001). A study pointed out that young people (age 16-29) have more positive attitudes and behavioural intentions towards using IBS than other user groups. It has also confirmed that there is a positive impact of IBS quality on satisfaction and loyalty (Chau and Ngai, 2010). Another study delineates IB-readiness as the state of preparedness, ability, and willingness to engage in IB, and the authors argue that both the potential banking customer and the financial institution's web-channel must be equally ready before IB-adoption can occur (Harrison *et al.*, 2014). The factors such as income level, Internet experience, age and educational level are significant determinants of overall satisfaction with online banking (Seyal and Rahim, 2011).

A current empirical study pointed out that new generation banks, larger banks, private banks etc have evidenced a higher probability of adoption of internet banking. Banks with lower market share also see the internet banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery (Malhothra and Singh, 2007). The private and foreign Internet banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks. Among the determinants affecting the extent of Internet banking services, size of the bank, experience of the bank in offering Internet banking, financing pattern and ownership of the bank are found to be significant (ibid). The factors of perceived usefulness, perceived ease of use, social influence, awareness, quality of internet connection and computer self-efficacy are primary determinants of the attitude toward the use of internet banking in urban India. The attitude toward the use of internet banking can be used to predict the intention to use internet banking systems by users (Sharma and Govindaluri, 2014). The financial institutions can encourage customers to use this cost-effective distribution channel through carefully planned actions (Polasik and Wisniewski, 2009). The customer while considering the risk factor involved in internet banking has a negative impact on behavioural intention of internet banking adoption and trust has a negative impact on perceived risk. A well-designed web site was also found to be helpful in facilitating easier use and also minimizing perceived risk concerns regarding internet banking usage (Kesharwani and Bisht, 2012). Propensity to trust is a determinant not only for interpersonal relationships but also for trust in technological systems (Krauter and Faullant, 2008). Perceptions about risk; the need; lacking knowledge; inertia; inaccessibility; human

touch; pricing and IT fatigue are the factors which influence the customers for not using internet banking (Gerrard *et al.*, 2006). The delivery of financial services over the Internet should be a part of overall customer service and distribution strategy. These measures could help in rapid migration of customers to Internet banking, resulting in considerable savings in operating costs for banks (Milind Sathye, 1999). The most frequently mentioned dimensions, as the main sources of satisfaction or dissatisfaction, were reliability, responsiveness, access, and accuracy. Some suggestions and recommendations were provided to improve the Internet banking service quality and, in turn, customer satisfaction (Minjoon Jun & Shaohan Cai, 2001).

It is in this context the present study has been conducted in order to analyse the acceptability of internet banking among customer in Ernakulam district.

### Objective of the study

In this study an attempt has been made to analyse the familiarity of Internet banking facilities among respondents in Ernakulam district. The specific objectives of the study are:

1. To analyse the familiarity of internet banking services
2. To study the factors influencing the preference of internet banking

### Research methodology

This study has the specific objective to understand the attitude of the service seekers of internet banking facilities. The study is purely exploratory in nature. The primary data have been used to supplement the objectives and the sample unit was the users of internet banking services.

### Population and sample selection

The users of internet banking service have been considered as the population of the study. A sample of 100 consumers were randomly selected from the population.

### Tools for data collection

The data were collected with the help of questionnaire developed by the researcher. The questionnaire consists of 2 parts: the first part was related to the customers opinion and attitudes about the usage of internet facilities and the second part was related to the demographic profile of the respondents. The first part contained questions relating to the usage of various services and their attitude towards the services enjoyed by them. Under demographic profile factors taken into account were age, gender, educational qualification etc.

### Research design

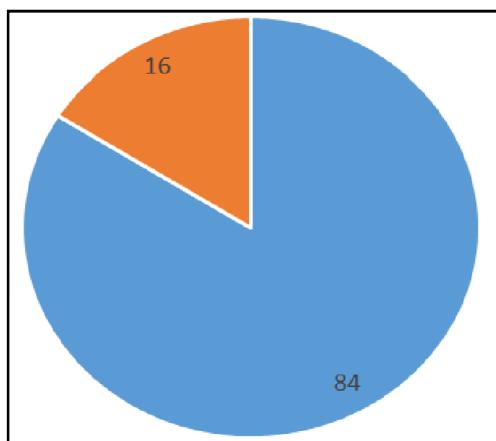
The design of the study is descriptive in nature. Personal interviews were conducted among the target respondents using questionnaires. Further in-depth and structured observation also made.

**Tools used for analysis**

Percentage analysis method was used to interpret the data and pie charts were used to present the interpretation.

**RESEARCH FINDINGS AND DISCUSSION**

**Awareness & Usage of IB :** On analysis it was revealed that 100% of the respondent are aware of internet banking and about 84% of respondents were using internet facilitated bank A/c. A study pointed out that technological development inherent in banking services were accepted by the people which created a positive attitudes and behavioural intentions towards using IBS (Chau and Ngai, 2010). The present study confirms the influence and consumers attitude towards internet banking. The customers have accepted the technological change which will lead to the increase use of internet banking services.

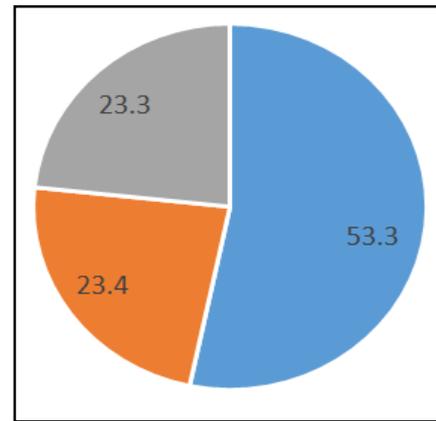


**Figure 1. Internet facilitated Bank Account**

**Preferred frequency of usage:** Out of the total sample size most of the respondent made a frequent usage of IBS. More than 53% of respondent transacted frequently using internet banking facilities. About 23% made an occasional transaction and the remaining balance never used this facilities even though internet banking facilities are available to them. This is mainly due to their technological unawareness. They were of the age group above 50 years. This fact is also pointed out in another study which reveals that the attitude toward the use of internet banking can be used to predict the intention to use internet banking systems by users (Sharma and Govindaluri, 2014). Another study point out that lack of knowledge is a factor due which prevent customers from the use internet banking (Gerrerd *et al.*, 2006). Attitude towards the medium of internet and certain demographic variables such as age is also proved to be robust predictors of the adoption status.

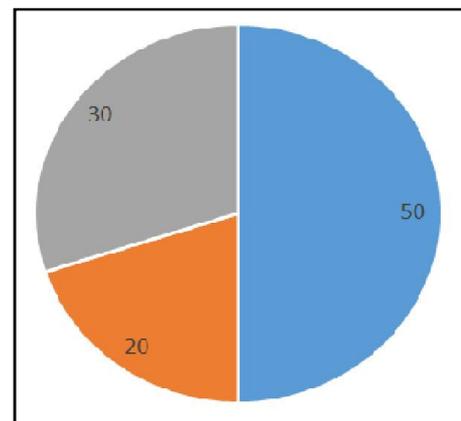
**Mode of financial transactions:** The customers on makes a comparison between conventional and internet based banking facilities. Around 50% of the respondents pointed that IB provide a better service than traditional method whereas 30% support conventional banking. The remaining 20% neither support nor reject traditional banking. A study suggests that delivery of financial services over the Internet should be a part of overall customer service and distribution strategy. These

measures could help in rapid migration of customers to Internet banking, resulting in considerable savings in operating costs for banks (Milind Sathye, 1999).



**Figure 2. Frequency of usage of IBS**

Quality and quantity of service is the base for the adaptability of online financial services. The banking industry scenario is characterized by a high level of uncertainty: a number of strategies seem to differentiate the financial institutions and it is debatable what variables banks should use to make their Internet-based activities more effective.



**Figure 3. Mode of financial transaction**

**Services enjoyed by IB:** The service seekers use the IB facilities for bill payment (56.7%), cash transfer(30%) and others(13.3%). While making use of these type of services about 30% of customers are not satisfied with the facilities. They suggest certain improvements to the existing services. More than 70% of the customers appreciate the benefits they enjoy due to internet banking services and added that it enables a better follow up of their accounts. The accounts can be verified when and where it is required. The bankers should see internet banking as a strategic opportunity that enhance customer service, increase the customer base and improve banking facilities.

**Negative aspect of IB:** About 33% of customers point out the risk relating aspect involved in Internet Banking services in relation to the maintenance of secrecy of their personal information.

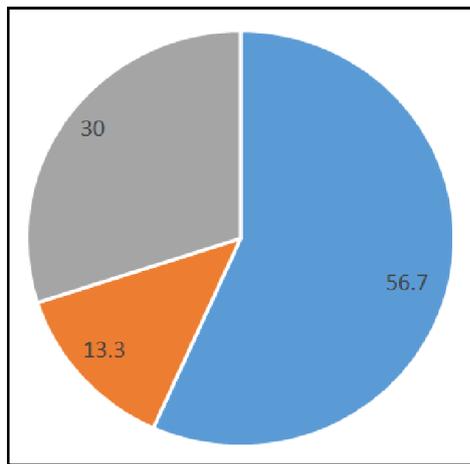


Figure 4. Services utilised

Even though more than 66% of the respondent wishes to go on with the present IBS facilities available to them and also recommend others towards the usage of IB facilities. While considering the risk factor internet banking has a negative impact in the minds of customers but this risk can be minimised by using a well-designed web site (Kesharwani and Singh Bisht, 2012). There are a number of inhibitors of internet banking who restrict the use of internet banking adoption mainly due to the risk factor involved in it, and also consider the role of the bank web site as a key determinant and of perceived ease of use in the context of internet banking services.

### Findings of the study

The major finding of the study are as follows:

1. All customers are aware of IB services provided by the banks.
2. Account holders make use of internet facilitated bank accounts.
3. Internet banking facilities are frequently used by most of the customers and they consider it as a suitable mode of financial service.
4. Cash transfers and Bill payment are the main purpose for the internet banking facilities are availed.
5. The risk factor relating to the secrecy of account information and the technical difficulty in usage of internet banking system is pointed out as the drawback of this system.

### Conclusion

The study concluded indicating that there is vast scope for internet banking as most of the customers are aware of this area of service. The customer make use of this facilities mainly for bill payment and money transfers. They consider it as a safer and better mode of financial service. The easy accessibility and verification of their bank accounts increased the adaptability of internet banking among the general public. Lack of technical knowledge among customers to use the Internet Banking system is considered as the one of the hindrance in the path of developments in this area. Internet

banking is perceived more favourably by customers and the bankers should redesign Internet banking activities by simplifying the technical aspect and making it user friendly favourable to the customer.

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