



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## CUSTOMER ADOPTION OF INTERNET BANKING IN INDIA: AN EMPIRICAL STUDY ON FACTORS INFLUENCING USAGE

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### Abstract

This research presents findings on the adoption of internet banking in India. Internet banking provides great benefits to banks; cost savings, improving customer relations and differentiating the banks' products from competitors. Although internet banking in India has improved over the last decade, the adoption of retail banking remains low. This study aims to identify the factors affecting Indian banking customer's intention to use the internet. The data presented in this survey is based on 34 surveys collected by the people in the city of Pune.

The results of the research confirm the relationship between identifiable resources and their impact on the adoption of Internet services. This study contributes to the literature by providing a new research methodology for forecasting internet spending in India and its findings are useful for bank for better planning in internet banking services.

**Keywords-** Electronic Banking, Internet Banking, Customer Adoption, Banks

**JEL Classification-** G21, O33.

### Introduction

With the advent of Information technology, the way individuals and business are performing various activities have changed over the last two decades worldwide. Internet Banking means that banking services such as services introduction, loan application, account balance inquiry, fund transfer and so forth are provided by a bank through the Internet. Internet banking has evolved into a "one step service and information unit" that promises great benefits to both banks and consumers. The Internet users have been rapidly growing, as a new avenue of performing tasks like communication, shopping, banking, etc. Over the past few years, Internet banking has witnessed remarkable growth, revolutionizing traditional banking practices. With just a click, users can access a plethora of banking services, from checking account balances to transferring funds. Financial institutions have embraced Internet banking as a cost-effective way to improve service quality,

manage customer relationships, and expand market share. However, despite its popularity, some customers remain hesitant due to concerns about security and privacy. Understanding the factors influencing Internet banking adoption is crucial for banks to tailor their strategies effectively. Financial institutions have eagerly embraced Internet banking as a cost-effective means to enhance service quality, manage customer relationships, and expand their market share. Internet technology has undoubtedly redefined the way the products and services are designed, communicated and delivered to the customers. For a marketer, the Internet has provided innumerable opportunities to understand and serve the customers better than rivals in the Industry. For example, the Internet has enabled most of the firms to save a considerable amount of money, by having personalized communication and delivering their products and services online. Most of the firms have been using hybrid channels (a combination of physical and virtual channels) to reach different customer segments, expanding their market coverage globally. This impact of the Internet is evident in almost all industries, including banks in India. Many banks in India have established their presence online, thus providing their customers the convenience of banking „anytime, anywhere“. With the rapid diffusion of the Internet, banks now can add more value to their customers through their innovative banking channels and differentiate their offerings from competitors. Internet banking is a platform where bank customers can perform various activities such as balance enquiry, fund transfer, request for bank statement, etc. which were traditionally performed in branch banking. There are numerous benefits for the banks and the customers through offering banking services online.

Although many banks have been offering banking services online, still the bank customers in India have not been using this technology-based service channel completely. The penetration of the Internet is steadily growing in the last few years in India, but it was reported that only 7% of the bank customers are using Internet banking for performing their banking transactions (McKinsey & Company, 2011). A number of research studies have been conducted across the world, for understanding.

The aim of proposed research is to measure the impact of customer adoption on internet banking. The other main purpose of this research is to measure how the demographics and other independent variables contribute towards the level of customer adoption, as it is generally thought that internet banking customers are more educated and relatively younger as compared to branch only customers. This research will also investigate which factors are inhibiting higher educated and higher income customers from adopting internet banking. Quantification of the impact of customer adoption on the use of other banking services is also an important area for future research.

### Review of Existing literature

| Sr.No | Author                             | Year | Research Title                                                                     | Crux of the study                                                                                                                                                                                                                |
|-------|------------------------------------|------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1     | Pikkarainen<br>Karjaluo<br>Pahnila | 2004 | Consumer acceptance of online banking: an extension of technology acceptance model | The findings of the study indicate that perceived usefulness and information on online banking on the Web site were the main factors influencing online-banking acceptance.                                                      |
| 2     | Wang Lin Tang                      | 2003 | Determinants of users acceptance of Internet banking                               | Results provide evidence of the significant effects of the individual difference variable (i.e. computer self-efficacy) on behavioural intention through perceived ease of use, perceived usefulness, and perceived credibility. |

|   |                                 |      |                                                                    |                                                                                                                                                                                               |
|---|---------------------------------|------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | Suh Han                         | 2002 | Effect of trust on customer acceptance of internet banking         | In this study, They found that trust is one of the most significant beliefs in explaining a customer's attitude towards using Internet banking.                                               |
| 4 | Wungwanit Chakorn               | 2002 | Adoption Intention of Bank's customers in Internet Banking Service | This research yielded useful conclusion related to adoption of internet banking services                                                                                                      |
| 5 | Black Lockett Winklohofer Ennew | 2001 | The adoption of internet financial service : a Qualitative study   | This paper focused on the innovation of delivering financial services through the Internet and re-evaluated the applicability of Rogers' (1983) model.                                        |
| 6 | Tan Teo                         | 2000 | Factors Influencing The Adoption of Internet Banking               | The results revealed that attitudinal and perceived behavioral control factors, rather than social influence, play a significant role in influencing the intention to adopt Internet banking. |

### Objective of the study

The research aims at enriching the knowledge and understanding of factors affecting adoption of Internet Banking services in India. Specifically, the main objectives of this study are:

1. Investigate the adoption and use of internet for banking transactions by individuals in India.
2. To investigate the impact of security concerns on customer adoption of internet banking.
3. To examine the influence of perceived usefulness and perceived ease of use on customer adoption of internet banking.

### Research Gap

While prior research has explored the factors influencing customer adoption of internet banking, there is a scope to bridge the gap by: Conducting an empirical study in a specific geographic context to understand local adoption patterns. This study will address this gap by conducting an empirical study in a specific geographic location to understand the factors influencing internet banking adoption within that context.

### Research Design, Sample Size

In this study, cross sectional research design was adopted. Moreover the study does broadly come under Descriptive Research design.

A total of 34 respondents were surveyed through primary data under questionnaire method. The respondents were selected on the basis of criteria that Geographical criteria that is the geographical location of respondents is Pune city.

## Questionnaire

The final questionnaire consists of two sections. The first section gathers general information about respondent like age, occupation, gender. The second section is about perception of respondent about internet banking usage and one open ended question is included.

## Data Collection

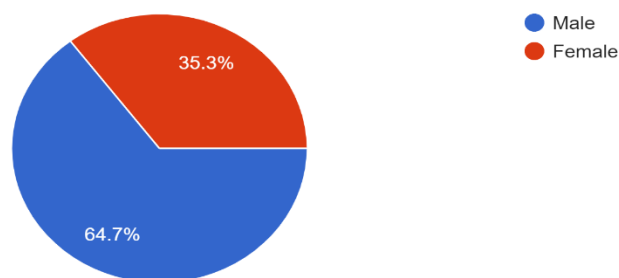
In this study survey is used as a data collection method. As we mentioned before the main goal of this study is to found factors influencing the adoption of internet banking from customer point of view. Sample was taken randomly from customer with internet experiment and at the same time non-user of internet banking or one-time users (not continual). A total of 34 respondents were surveyed through primary data under questionnaire method.

## Data Analysis and Interpretation

The following table represents the demographic characteristics of the respondents.

| Gender      | No of respondent | Percentage |
|-------------|------------------|------------|
| Female      | 12               | 35.3%      |
| Male        | 22               | 64.7%      |
| Grand Total | 34               | 100%       |

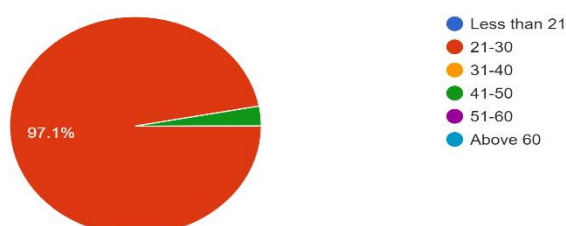
Gender  
34 responses



## Interpretation-

The result shows that most of the respondents are male (64.7 %)

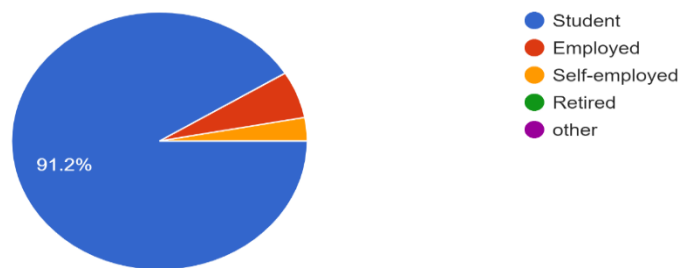
Age  
34 responses



**Interpretation-**

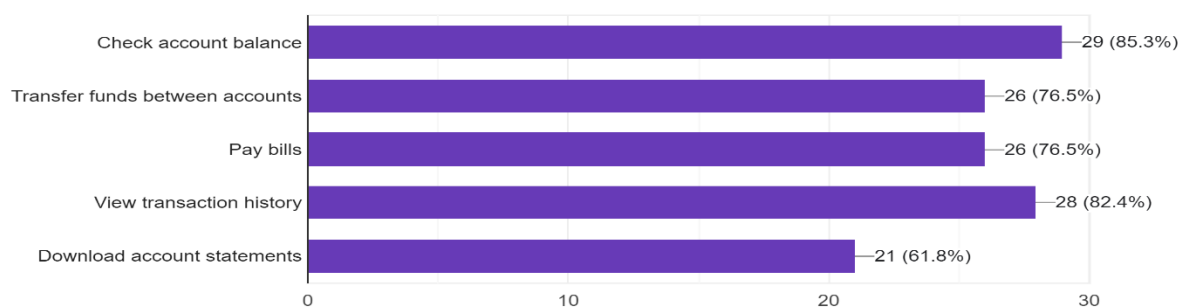
Majority of respondents comes under the age group of 21-30 years. Around 97.1% of the respondents belong to that age groups.

Occupation  
34 responses

**Interpretation-**

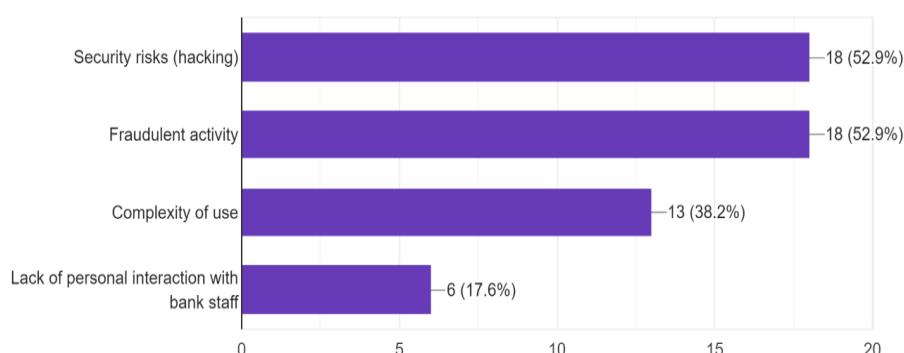
Majority of respondent's occupation is student. Around 91.2% of the respondents belong to that occupation group.

How frequently do you use internet banking for the following activities (select all that apply)  
34 responses

**Interpretation-**

As, per data majority respondents are using internet banking services for checking the bank balance & view transaction history with 85.3% & 82.4% respectively & along with other services like transfer funds between accounts (76.5%), pay bills (76.5%), & download account statements (61.8%) which states that internet banking services provides great impact on consumer life and also benefits to banks for cost savings, improving customer relations.

What are the biggest concerns you have (if any) about using internet banking? (Select all that apply)  
34 responses



## Interpretation-

As, per data the biggest concerns people have about using internet banking. Here's a breakdown of the data: Security risks (hacking): 52.9% of respondents indicated this as a concern, Fraudulent activity: 52.9% of respondents indicated this as a concern, Complexity of use: 38.2% of respondents indicated this as a concern, Lack of personal interaction with bank staff: 17.6% of respondents indicated this as a concern.

## Findings

1. Study has shown clearly that internet banking services creates a better impact on customer experience and cost efficient.
2. Internet banking services has tremendously helped customer as compared to previous traditional approach of banking.
3. Banks has to focus on certain aspects such as Security risks (hacking), fraudulent activity for better experience and more engagement on internet banking services.

## Conclusion

The major purpose of this research was to identify the factors that determine customers to adopt Internet banking services in India. The results of this study provide bank managers and policy makers, an insight into the most influential factors that determine Indian bank customers' intention to use Internet banking. For instance, awareness was found to be one of the important factor in determining the customers' perception of Internet banking services as it influences customers' perception on system benefits, complexity involved, positive opinion and their trust beliefs. Banks should plan awareness campaigns especially for minimizing the risk perceptions of the customers and to increase their confidence on the system, by communicating its benefits and advantages over other traditional channels. The results of this study also provide sufficient evidence of the significant effects of the individual's ability to use computers (i.e. computer self-efficacy) on behavioural intention through performance expectancy, effort expectancy, attitude and trust. Thus, it can be concluded that higher awareness level and higher computer self-efficacy are likely to make bank customers to adopt the Internet banking services in India. Future studies could extend the proposed model to include other important variables such as perceived value, perceived risk, personal innovativeness etc. It would be interesting to study the different segments' perception on Internet banking services in India, based on variables such as level of computer knowledge, prior experience, technology readiness etc. The applicability of the proposed model can be evaluated in other developing countries where similar conditions are prevailing.

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