

# INTERNET BANKING BEHAVIOR –AN EMPIRICAL INVESTIGATION

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**ABSTRACT:** *The dramatic boom in the usage of internet has made all banking institutions to make use of internet for serving their customers and delivering all financial services. The hunt to embrace new technology to gain an advantage in the market gives the bank a new shape called online Bank. The increased internet usage has made banks to leverage over the internet for gaining competitive advantage in the sector. Approximately 57 banks are working in Rajasthan and they all embraced online services. But the acceptance and recognition of online banking depend largely on customers. This study is an attempt to understand the behavior of consumers of online banks. For this purpose, 300 online banks' consumers were randomly selected. For analysis, the researcher here used Confirmatory Factor Analysis (CFA), Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity. Analysis results display that prime factors that stimulates a customer for adopting online banking are Security and ease of use. Implications of results were further discussed, and future research guidelines defined.*

**Key Words:** *Internet, online banking, innovation, adoption, customer, online services.*

## INTRODUCTION

Customer values and their preferences need to be recognized for the development of Internet Banking to ensure long-term organization-customer relationships in the E-era. In the last few years, innovation has experienced radiant changes. The advancements and development in technology and a concrete mix of these with the Information technology have brought about a critical change in outlook in the banking sector from conventional internet-based banking framework. IT and globalization have forced the latest banking system to embrace the fast-growing innovations and change the delivery channels of financial services provided by them. Technology and innovation are the grounds for the economic development of any nation. The banking industry and its processes today is being greatly influenced by the Globalization, threatening pressure, and Information technology (Mia, Rahman & Debnath, 2007).

Internet banking is transforming the banking structure by changing its business models from traditional physical banking to virtual online banking. The advent of Internet Banking has completely changed the way we do banking in all main banking areas viz. distribution, funds transfer, payment, and trading. Understanding customers' attitudes and new values in these electronic markets is a prerequisite for the growth of Internet Banking. Internet banking assists in gaining customer loyalty which is a key driver to retain customers in an increasingly competitive environment in the financial services sector.

Merely implementing online banking does not guarantee a bank competitive edge over its competitor. They need to thoroughly study and comprehend the consumer online banking behavior that will help them in determining the right marketing and promotional strategy and developing new services. Thus this study focuses on finding out the perceived advantages and disadvantages of internet banking from the point of view of the consumer. It also pays attention in finding out what attributes of a customer makes him to adopt internet and the factors that impact a consumers outlook for adopting online banking method. The first section of this study demonstrates the guideline as what to expect from the paper. The second section depicts a literature review. Further, the third section contains the findings and analysis and the last section asserts the implications.

## What is Internet Banking?

All the financial and banking services delivered by banking institutions using the internet platform are termed as Internet Banking. Some of these financial services include bills payment, savings, retrieval of account statements, online shopping, credit facilities etc. Banks these days also offer their cutting-edge products and services via online banking. A digital device like a computer is used to connect the customer (from anywhere and at any time) to the bank via the internet. Today, internet banking is also available on mobile phones in the form of banking apps that works using a sound Wi-Fi or 4G data connections (Agarwal, 2016).

## ONLINE SERVICES

An online banking system makes it easier to open and operate an account. There are various financial services that are being offered to customers these days; these online services offered may differ depending upon the bank and country. To gain knowledge about the services that a bank is offering, the welcome kit that is being provided at the time of opening the account should be read very carefully. In that kit along with a user id, a password is also provided to login online account, which customers are expected to keep confidential for safety and security reasons to avoid any fraudulent activities (Agarwal, 2016).

The common online services offered by banks are:

<b>Transactional services:</b>
• Recharges
• Funds transfer
• Payments
• Loans, Forex, and advances
• Cards
• Investment
• Insurance
• Transactions.
<b>Non-transactional services:</b>
• Service request for checkbook
• Accounts and deposits services
• Stop payment
• Online account statements
• Updating your contact information
• Requesting a fixed deposit
• Offers
• 24*7 customer support

## REVIEW OF LITERATURE

In a research by **Rakesh & Ramya** titled as "A Study on Factors Influencing Consumer Adoption of Internet Banking in India," they attempted to study the factors that influence the adoption of online banking. Their study discovered that online banking is influenced by its observed dependability, Perceived ease of use, and Perceived effectiveness. In the marketing strategy of online banking services, marketing specialist ought to stress these advantages of its adoption gives. He should also emphasize on enhancing awareness to pull in customers focus on online banking services.

In a survey of digital banking, it was observed that India is leading all Asian countries in mobile and Internet usage for online banking. The growth of internet banking is estimated to increase three folds whereas there was a 15% decline in branch usage is noticed.

**Aliyu, Younus & Rosmaini, Tasmin (2012)** In their study named "An exploratory study on the adoption of electronic banking: underlying consumer behavior and critical success factors. The case of Nigeria" examined the important aspects that stimulate a customer to adopt online banking in Nigeria and the results of their study reveal that there is a strong need to study the factors that support Electronic banking.

**Alnsour & Khalil al-hear (2011)** "Internet banking and Jordanian corporate customers: issues of security and trust". They examined that technology and innovation have very high response behavior, yet it is considerably classified and split particularly in developing nations like Jordan. Their study attempts to provide gainful visions regarding two key factors that arise in the recognition of online banking by Jordanian consumers, specifically, security and trust.

## Advantage and disadvantage of internet banking

The major advantage that an e-banking system offers is the decline in the operating cost per transaction. Internet banking possesses several advantages over the traditional banking system by making operating an account at the tips of the fingers. In the present scenario where internet made it possible to perform any task online, banking needs are also fulfilled by this online system. Let's have a look at some of the advantages of the online banking system over traditional branch services;

**Simple:** Opening and operating an account online is fast, simple and convenient.

**Convenience:** You can easily transfer funds, retrieving account information, easy retrieval of account statements, bills payment, online recharges etc. Internet banking has made life simple by making you avoid wasting your time in waiting in a queue for bill payments; also the need to keep bill receipts is no longer needed as transactions can be easily retrieved now.

**No geographical and time constraints:** online banking has made it possible to avail banking services all the time, i.e. 24x7. Online transactions can be made from any place irrespective of the time. Even on bank holidays and in the evening after bank timings, the financial and other banking services can be availed. The only thing you need to have is an active internet connection.

**Quick and effective:** Funds transfer takes place from one account to the other within few minutes only. Several accounts can be easily managed through internet banking at a time.

**Safe:** Helps in monitoring account and transaction round the clock. This service enhances the safety of the account. Due to this feature, any fraudulent activity can be traced and caught beforehand without being severely affected by the threat. Password protection, verification of details etc. also come under safety.

**Marketing medium:** Banks can use it as a medium to recommend their latest products and services.

**Cost Effective Alternative:** As compared with establishing a physical branch, internet banking is a cost-effective option. Banks can avoid a large number of expenses like paper work using the online banking system.

**Customer Support:** Banks can now manage their customer queries and grievances using online chat support system in online banking round the clock. This helped them in enhanced customer satisfaction and loyalty.

### Disadvantages of Internet Banking

*Apart from the above-mentioned advantages of internet banking, there are many disadvantages also as everything has both pros and cons. It has some disadvantages which must be studied and taken care of. The disadvantages of online banking include the following:*

**Difficult for newcomers:** *Beginners sometimes find it complicated to understand the usage of internet banking in the beginning. In spite of offering a demo on accessing online accounts by some banks, yet a new person might face some difficulty in getting hands over online banking.*

**Mandatory Connection requirement:** *Internet connection is mandatory to access online banking. If by any chance you fail to procure internet connection the online services will be of no use to you.*

**Security Threats:** *Online banking is full of security threats. Transactions security is a big concern. Online banking account might get hacked by unauthorized people over the internet. Another concern is of password security which is a must. The password needs to be changed frequently and also memorizing it is required to avoid it being misused by someone who gets to know your password accidentally.*

**Banks Server Issues:** *Online banking transaction depends largely on banks server, which is also a disadvantage as online banking cannot be used and its services cannot be availed if the server of the bank is down.*

**Connectivity issues:** *Sometimes transactions success went unnoticed due to loss of connectivity or slow internet connection or banks server issues. (Agarwal, 2016).*

*Thus, Online banking services by banks have been proved to make the life easy and convenient for users by delivering various financial and other banking services online that saves a lot of time and efforts of customers.*

### OBJECTIVES OF THE STUDY

- To explore the advantages and disadvantages of internet banking.
- To explore the factors which the customers' consider while adopting internet banking.
- To analyze various parameters that impact attitude toward Internet banking adoption.

### RESEARCH METHODOLOGY

Primary data collection method is used here for collecting the data. Technology Acceptance Model (TAM) provided some scales and tools for framing questionnaires that are structured specifically for conducting a survey for data collection. Further, in statistical analysis, data is tested with the help of the structural model by means of Confirmatory Factor Analysis (CFA). An exploratory factor analysis using SPSS was conducted on the data collected through questionnaires. Responses of respondents were then evaluated using a five-point likert scale ranging from 'strongly disagree' to 'strongly agree'.

**Table: 1 Advantage of Internet Banking**

Statements	Mean	Std. Deviation
Quick transactions (less laborious)	4.23	.554
Fast and Efficient	4.03	.431
Reduced Risk of Cash handling	4.68	.382
Information Consistency	4.29	.508
Efficiency (efficiency)	3.99	.463
Improved Service quality	3.67	.608
Low transaction Cost	3.26	.498
Simple to operate	4.92	.554

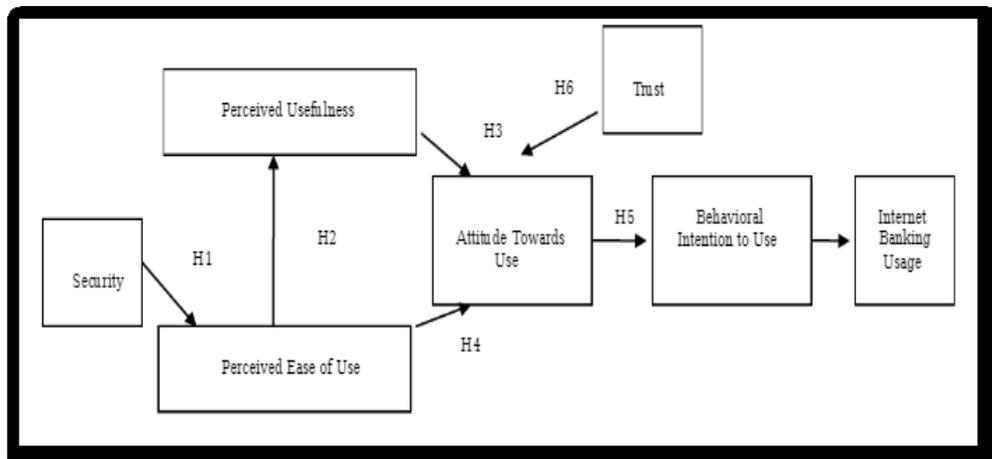
Customers' Perception towards advantages of Internet banking

Table 1 displays the analysis of perceived advantages of Internet banking from the point of view of the customer (respondent). As presented discrete mean scores of respondents were evaluated and shown. From the above table, it could be interpreted that maximum means is for the statement simple to operate (4.92), thus this statement can be regarded as the major advantage for internet banking adoption from customer perception. Next to simple to operate an advantage is a reduced risk of cash handling (4.68) and the least perceived advantage is low transaction cost(3.26).

**Table: 2 Disadvantages of Internet Banking**

Statements	Mean	Std. Deviation
Lacks information security	4.93	.431
chance of a Technical problem	4.01	.522
chance of frauds	3.65	.563
many legal and security issues	3.23	.998
chance of data loss	3.01	.563
Short of required expertise and training	4.00	.473

The Table above evaluates what a customer thinks about the probable risks that are associated with internet banking. The table displays the mean score values of all the risks. It is evident from above table that risk of lack of information security has the highest mean score value of (4.93), this can be interpreted as out of all the risks mentioned above this one is considered as the biggest disadvantage or biggest risk of using online banking services. After information security, comes the risk of a chance of technical problem while performing their financial transaction. The least perceived risk here is the probability of data loss in internet banking.



Sources: Technology Acceptance Model. Source: Davis et al. (1989)

(Modified Conceptual Framework of Technology Acceptance Model (TAM), Web Security and Trust) Structural equation modeling (SEM) was put into use to analyse the model and test all the factors that can affect customer's attitude towards the adoption of online banking.

**Table: 3 Path Testing**

Research Path	R <sup>2</sup>	Path Co-efficient ( $\beta$ )	P value
Security → Attitude towards use	0.384	0.766	0.000***
Perceived Ease of Use → Perceived usefulness	0.642	0.765	0.000***
Perceived usefulness → Attitude towards use	0.748	0.996	0.000***
Perceived Ease of Use → Attitude towards use	0.643	0.868	0.000***
Attitude towards use → Adoption intention	0.854	0.995	0.000***
Trust → Attitude towards use	0.531	0.840	0.000***

P < 0.0001

KMO measure of sampling adequacy is utilized to look at the extents of observed correlation coefficients about the magnitudes of partial relationship coefficients. On the off chance that KMO value is below than 0.5, at that point specialist ought not to complete a factor investigation. Bartlett's Test of Sphericity is utilized to test the theory that the correlation matrix is a personality grid (all the diagonal terms are one and off-corner to corner terms would be zero). The significant value under .05 demonstrates significant variable relations. All the items are perfectly correlated with themselves and have some level of connection with different things. If they are not correlated with other items, at that point they can't be the part of a similar factor. The related table is displayed below.

**Table: 4 KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.788 (middling)	
Bartlett's Test of Sphericity	Approx. Chi-Square	3621.394
	Df	1283
	Sig.	.000

From above **Table 4**, it could understand that Kaiser-Meyer-Olkin measure value (.788) is more prominent than 0.5 so factor investigation could be connected to the sample. Bartlett's Test of Sphericity significance is less than 0.05 indicates which demonstrate the significance of the parameters statements means all the factors are very significant and must be kept under observation.

## CONCLUSION

This study aims at making an innovative input to the existing information by examining the internet banking behavior of customers in Jaipur, the capital city of Rajasthan state of India. The various advantages and disadvantages of internet banking services that were considered in the research paper were: Effectiveness, Internet Availability, Cost, Awareness, Secrecy, Reliability, security, data access etc. The study revealed that most voted advantage for internet banking adoption is 'simple to operate' immediately followed by 'low risk of carrying cash'. Whereas the least perceived advantage is low transaction cost. Also, empirical results show that information security is the biggest perceived disadvantage followed by the probability of technical problem in a financial transaction and the least perceived risk is the data loss probability in internet banking. Also, prime factors that stimulate a customer for adopting online banking are Security and ease of use. After finding out the importance of factors in the study, it provides bank managers and policymakers an opportunity to plan and design their strategies and efforts most successfully and efficiently so as to enhance the sustainability of bank business and to attract, maintain and retain the customers.

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