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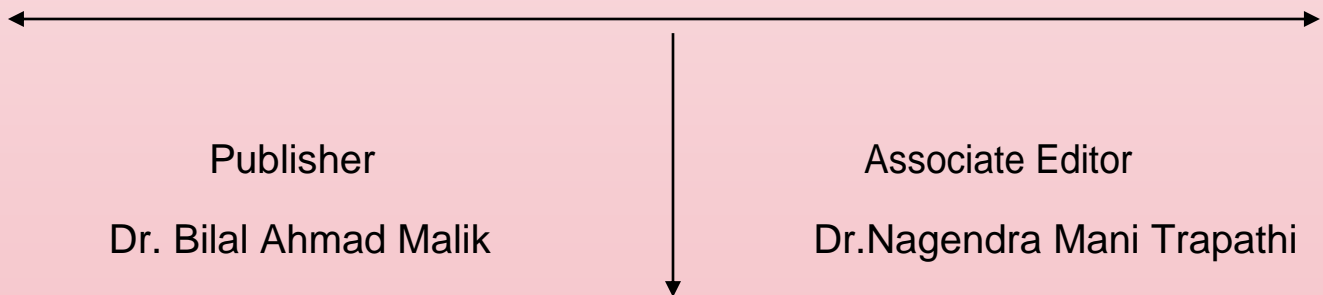
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ATTRACTIVE AND DISCOURAGING FACTORS TOWARDS INTERNET BANKING: A CASE OF PUBLIC AND PRIVATE SECTOR BANKS IN NAMAKKAL DISTRICT, TAMIL NADU, INDIA

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ABSTRACT

India's banking sector is growing at a faster pace. India has become one of the most preferred banking destinations in the world. The reasons are numerous. The present research is held in order to analyse attraction and discouragement of the customers towards internet banking in Namakkal district, Tamil Nadu, India. The present study takes up six banks, three from private sector and three from public sector. 600 customers (100 customers from each bank) are selected at random. The present study reveals that the '24 hours banking' is the most attractive factor to the customers; changing technology makes fear and hesitation in their minds so that the customers are discouraged very much.

Key word: anywhere banking, internet banking, IT technology, 24 hours banking.

INTERNET BANKING: THE CONCEPT

The most general type of electronic banking in the present times is banking via the Internet, in other words Internet banking. Internet Banking (or E-banking or on line banking) refers to the deployment of banking services and products over electronic and communication networks directly to customers. The term electronic banking can be described in many ways. In a very simple form, it can mean the provision of information or services by a bank to its customers, via a computer, television, telephone, or mobile phone. This type of banking allows consumers to check the balances in their accounts, transfer funds and order electronic bill payments. Internet banking systems allowing customers to apply for loans, trade stocks or mutual funds, and even view actual images of their checks or deposit slips. The services available for Internet banking vary from bank to bank. Nowadays the Internet is the main channel for electronic banking. Internet banking offers many benefits to banks and their customers (Karjaluto, 2002). The main benefits to banks are cost savings, reaching new segments of the population, efficiency, enhancement of the bank's reputation and better customer service and satisfaction (Jayawardhena and Foley, 2000). To customers Internet banking offers also new value. With the help of the

Internet, banking is no longer bound to time or geography. Consumers all over the world have relatively easy access to their accounts 24 hours per day, seven days a week. It makes available to customers a full range of services including some services not offered at branches. Internet banking has the advantage that the customer avoids traveling to and from a bank branch. In this way, Internet banking saves time and money provides convenience and accessibility. Customers can manage their banking affairs when they want, and they can enjoy more privacy while interacting with their bank. It has been claimed that Internet banking offers the customer more benefits at lower costs (Mols, 1998). Turban (2000) indicated that Internet banking is extremely beneficial to customers because of the savings in costs, time and space it offers, its quick response to complaints, and its delivery of improved services, all of which benefits make for easier banking.

Internet banking in India

India's banking sector is growing at a faster pace. India has become one of the most preferred banking destinations in the world. The reasons are numerous: the economy is growing at a rate of 8%, bank credit is growing at 30% per annum and there is an ever expanding middle class of between 250 and 300 million people (larger than the population of the US) in need of financial services. Considering the above scenario of emerging market in internet banking, there exists a necessity of understanding customer perceptions in details. This will help the banks to focus on customer needs and in the process they can provide qualitative services which leads to customer satisfaction.

The internet banking is increasingly becoming popular because of convenience and customer-friendly. It has reduced transactional costs for the financial institutions and helped them to provide variety of services to their clients. E-Banking has not only reduced the time consumed in financial transactions, it has shrunk the geographical frontiers to make their business truly global. The present paper explores the customer's perception towards e-banking in India. The e-banking services divided into two. One is payment services and the other is Request services. Customer's satisfaction towards payment services, request services and e-banking issues are analyzed. The results are discussed along with suggestions for improving e-banking services in India.

REVIEW OF LITERATURE

Sharman Lichtenstein & Kirsty Williamson (2010) reported key findings from an interpretive study of Australian banking consumer experiences with the adoption of internet banking. The findings highlighted

increasing risk acceptance by consumers in regard to internet-based services and the growing importance of offering deep levels of consumer support for such services. Gender differences are also highlighted.

Nicoletta Corrocher, (2011) aimed at examining the drivers of the adoption of the Internet banking, in order to understand its role with respect to the traditional banking activity and to offer a comprehensive picture of the diffusion of such a technology within the sector. The research found out that the conditional probability of adoption of Internet banking is positively affected by size; however, while the coefficient of the size term is positive, the coefficient of the size squared term is negative, meaning that medium banks tend to adopt more quickly than large banks, mostly because they have a more flexible structure and lesser constraints than big financial institutions. This result is quite new, since the literature does not find a significant non-linear relationship between the adoption of a new technology and firm size.

The study of Rahmath Safeena (2011) determined the factors influencing the consumer's adoption of internet banking in India and hence investigates the influence of perceived usefulness, perceived ease of use and perceived risk on use of IB. The study examines the influence of Perceived Ease of Use (PEU), Perceived Usefulness (PE) and Perceived Risk (PR) of Internet Banking (IB). The result showed that PR is negatively related to the adoption of IB use which supports the hypothesis and is in line with the previous studies. Also it showed that PU and PEU have positive relation with IB.

The study of Tejinderpal Singh (2012) aimed to compare the pre-login and after login features of selected banks' online portals. For study purpose, two banks one each from public and private sector were selected on the basis of online user base in each category. A content analysis technique was used to study the listed features of selected websites. Study found that selected banks' online portals differ on various features such as accounts information, fund transfer, online requests and general information. In the end, the study suggested to include the good feature of other online portal which would help them to make their sites more secure, informative and user friendly.

IMPORTANCE OF THE STUDY

Internet banking brings a number of benefits for both the provider and the customer. The benefits for the end users are numerous and include mainly convenience of the service (time saved and globally accessible service), lower cost of transaction and more frequent monitoring of accounts among others (Pikkarainen et al, 2004). Increased comfort and time-saving where transactions can be made 24 hours a day, without requiring the

physical interaction with the bank and also better administration of funds that is the history of a transaction is registered on the digital support and can be analysed before a new transaction is initiated, are also among the arguments favouring internet banking (Tuchila,2000). For businesses and enterprises, in particular, internet banking is seen as a means to better administer funds as well as there is quick and continuous access to information which helps in reducing costs.

The research brings out new highlights on the functioning of internet banking. It is possible to identify the practical problems of the internet banking services and this research can offer solutions to the problems. Role of the banks in respect of the internet banking in order to ensure a high degree of service quality may be emphasised by means of findings of the study. The findings of the study may open new avenues of internet banking and they may guide further researches in future in this topic. Banking is a highly information intensive activity that relies heavily on information technology (IT) to acquire, process, and deliver the information to all relevant customers. Banks used the Internet technology as a strategic weapon to revolutionize the way they operate, deliver, and compete against each other. As a result, Online Banking was introduced as a channel where bank customers could perform their financial transactions electronically via their banks' Web sites.

STATEMENT OF THE PROBLEM

In spite of having more benefits, it should be noted that there are still customers who fear to make use of Internet banking, as they are concerned with security aspects of such a system. Further, internet banking requires access to a computer and access to the Internet which is an additional cost to the client. Moreover, customers may not be conversant with information technology to use internet banking. In the light of these problems the current study is taken up by studying customers of six banks in Namakkal district, Tamil Nadu, India.

OBJECTIVES OF THE STUDY

1. To analyse attractive, discouraging and expectation factors of the customers towards the internet banking.
2. To render suitable suggestions to the banks for effective e banking services to the customers.

RESEARCH METHODOLOGY

The present research is held in Namakkal district, Tamil Nadu, India. This district is selected due to the effective functioning of large number of public and private sector banks at large level. The present study takes up six banks, three from private sector and three from public sector. State Bank of India, Indian Bank and Indian

Overseas Bank are selected from the public sector. On the other hand, ICICI Bank, HDFC Bank and City Union Bank Limited are selected from the private sector.

Sampling Design

Population of the study consists of all customers using the internet banking facilities of the six banks. From the large population, 600 customers (100 customers from each bank) are selected at random. The samples are selected from the branches from towns and villages.

Variables of the Study

The present study uses two categories of variables such as (1) Attractive Variables (24 hours banking, Anywhere banking, Fastness of the transactions and Time saving), (2) Discouraging Factors (Possibility of fraud, Net work problem, Changing technology and Lack of knowledge).

Analytical Tools

Apart from the arithmetic mean and standard deviation, Friedman's test is used to analyse the ranks given by the customers. Chi square test is applied to test the hypotheses concerned with the attraction and discouragement of the customers in respect of the internet banking. Software Package for Social Science (SPSS) version 16 was used to make statistical calculations.

LIMITATIONS OF THE STUDY

1. No comparative efforts were made between private and public sector bank customers.
2. The perception of the customers is based on their own experience, knowledge and awareness. As these may change in passage of time, the findings of the study may not be applicable to future period.

RANKING OF ATTRACTIVE FACTORS

Four attractive factors are identified at the time of pilot study of the present research. They are 24 hours banking, anywhere banking, fastness of transactions, and time saving. The customers allot ranks to these factors such as 1 for first rank, 2 for second rank etc. and the following table shows the results.

Table 1
Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
24 hours banking	600	1.94	1.143	1	4
Anywhere banking	600	2.39	.902	1	4
Fastness of the transactions	600	2.59	.895	1	4
Time saving	600	2.92	1.277	1	4

Source: Output generated through SPSS.

Among the four attractive factors, time saving is the factor that has the highest mean (2.92) so that it is clear that the customers are enjoying it very much. At the same time, the least ranks (1.94) are available to 24 hours banking. However, in the case of ranks allotted by the customers, it is shown another angle of attraction of the customers.

Table 2
Friedman Test: Ranks

Attractive Factors	Mean Rank
24 hours banking	1.97
Anywhere banking	2.41
Fastness of the transactions	2.63
Time saving	3.00

Source: Output generated through SPSS

The factor ‘24 hours banking’ has secured the first rank (the lowest mean = 1.97) and it is followed by anywhere banking (2.41), fastness of transaction (2.63) and the time saving (3.00) as the second, third and fourth ranks respectively. So, it is clear that the customers are attracted very much by the ‘24 hours banking,

Null Hypothesis

There is no significant association between ranks for attractive factors towards internet banking.

Table 3
Friedman Test Statistics

N	600
Chi-Square	204.590
df	3
Asymp. Sig.	.000

The p value is < 0.05, the null hypothesis is rejected. So, it is proved that there is significant association between ranks for attractive factors towards internet banking.

DISCOURAGING FACTOR

In respect of the discouraging factors, four factors are identified viz., possibility of fraud, net work problem, changing technology and lack of knowledge. The customers allot ranks to these factors such as 1 for first rank, 2 for second rank etc. and the following table shows the results.

Table 4
Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Possibility of Fraud	600	2.18	1.169	1	4
Net work problem	600	2.42	1.002	1	4
Changing technology	600	2.77	1.033	1	4
Lack of knowledge	600	2.44	1.150	1	4

Source: Output generated through SPSS

In respect of the discouraging factors, highest mean (2.77) belongs to ‘changing technology’ and it is clear that the customers are not well versed with the fast changing nature of technology related to the internet banking. At the same time, possibility of fraud is the discouraging factor that has the least mean (2.18). The factor is aging confirmed by the customers during ranking of discouraging factors.

Table 5
Friedman Test: Ranks

Discouraging Factors	Mean Rank
Possibility of Fraud	2.21
Net work problem	2.50
Changing technology	2.83
Lack of knowledge	2.47

Source: Output generated through SPSS

The factor Possibility of Fraud has the first rank as the discouraging factor (mean rank 2.21). It is followed by Lack of knowledge (second rank – mean rank: 2.47), Net work problem (third rank: mean rank - 2.50) and Changing technology (fourth rank: mean rank-2.83 mean rank).

Null Hypothesis

There is no significant association between ranks for discouraging factors towards internet banking.

Table 6
. Friedman Test Statistics

Chi-Square	69.390
df	3
Asymp. Sig.	.000

The p value is < 0.05, the null hypothesis is rejected. So, it is proved that the there is significant association between ranks for discouraging factors towards internet banking.

FINDINGS OF THE STUDY

Among the four attractive factors, time saving is the factor that has the highest mean (2.92). The customers are enjoying it very much. At the same time, the least ranks (1.94) are available to 24 hours banking. However, in the case of ranks allotted by the customers, it is shown another angle of attraction of the customers. The factor ‘24 hours banking’ has secured the first rank (the lowest mean = 1.97) and it is followed by anywhere banking (2.41), fastness of transaction (2.63) and the time saving (3.00) as the second, third and fourth ranks respectively. So, it is clear that the customers emphasize ‘24 hours banking. The chi square test has proved that there is significant association between ranks for attractive factors towards internet banking.

In respect of the discouraging factors, highest mean (2.77) belongs to ‘changing technology’. The customers are not well versed with the fast changing nature of technology related to the internet banking. At the same time, possibility of fraud is the discouraging factor that has the least mean (2.18). The factor is aging confirmed by the customers during ranking of discouraging factors. The factor Possibility of Fraud has the first rank as the discouraging factor (mean rank 2.21). From the test results of chi square test, it is proved that there is significant association between ranks for discouraging factors towards internet banking.

SUGGESTIONS

The banks have to conduct customer meet regularly to educate the customers on internet banking and attend the customer grievances properly. The banks should motivate the customers to adopt net banking practices by offering an exclusive programme or campaign to educate customers in regarding internet services and their

utilization. They are expected to serve the customers without any delay for quarries and it is advisable to adhere to time bound commitment accordingly.

CONCLUSION

The attraction of the customers and the discouragement arise to the customers from their awareness, education and experience and information service of the banks. The present study reveals that the '24 hours banking' is the most attractive factor to the customers; changing technology makes fear and hesitation in their minds so that the customers are discouraged very much. However, the development of technology and wide spread use of the internet banking can attract all types of customers in future.

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The author has 23 years of academic experience in various institutions from Lecturer to Principal. He worked as the Chairman, Board of Management Studies, Anna University. He has guided 9 Ph.Ds in Management studies. He published more than 35 research papers in various Impact Factor Journals. Presently working as a Professor of Management Studies, Bon Secours College for Women Thanajvur – 613006 Tamil Nadu, India

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