



IMPACT OF DEMOGRAPHIC VARIABLES OF CONSUMERS ON INTERNET BANKING

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Abstract

Technology alters the nature of the service delivery and the nature of the interaction between purchaser and provider. In industries as diverse as medicine, financial services, higher education and even real estate, new technologies are radically altering the ways in which many service organizations do business with their customers, as well as what goes on behind the scenes. This study aims to understand the relationship between customers' beliefs on Internet banking and their intentions to adopt it. Another important objective of this study is to analyze the differences between the bank customers' beliefs on Internet banking based on their personal characteristics such as gender, age, income, occupation, self-efficacy, etc. The study provides various inputs to the bank managers and strategists in understanding the preferences and expectations of their customers towards Internet banking adoption in India.

Keywords: *Internet banking, Services, Technology.*

INTRODUCTION

Technological developments during the last 25 years, particularly in telecommunications and computer technology, have had a significant impact on the way in which services are now produced and delivered. The biggest impact of new technology in service marketing is the move away from what was the traditionally people-based service to a higher degree of automation. Technology alters the nature of the service delivery and the nature of the interaction between purchaser and provider. In industries as diverse as medicine, financial services, higher education and even real estate, new technologies are radically altering the ways in which many service organizations do business with their customers, as well as what goes on behind the scenes. Consequently, while a proportion of technophobe still exists, consumer markets and business-to-business markets are seeing growing numbers of customers who seek and embrace self-service technology. Across industries, technology is being used to facilitate a wide range of service encounters and has profoundly changed the way in which customers interact with service providers, replacing the need for in person interactions in some cases. Self-service technologies (SST's) are technological interfaces that enable customers to produce a service independently of direct service employee involvement. Through Internet banking, bank customers can perform banking transactions on any day, at any time and from any place. Through the use of Internet banking, banks are able to offer almost all of their products and services online. The number of research studies on the adoption and usage of Internet banking in India has been growing in the last few years. However, there are still many questions unanswered leaving some gap between what banks have been offering in the form of Internet banking services and what really bank customers expect from it.

OBJECTIVES OF THE STUDY

1. To study the impact of demographic factors on the perceived beliefs of the consumers on Internet Banking services.
2. To provide appropriate suggestions for adoption of internet banking.

REVIEW OF LITERATURE

According to Srivastava (2007), the bank customer's perception of Internet banking could be changed by certain significant factors such as awareness program, friendly usage, low charges, enhanced security and better response

to the services offered by the banks in India. This study also revealed that demographic characteristics of the bank customers such as gender, education and income play significant role in their usage of Internet banking services in India. Prakash and Malik (2008) investigated the factors that influence the bank customer's usage of Internet banking in India. The study revealed that accessibility of the Internet, customers' awareness levels, attitude, proper assistance for using website, security issues, trust perceptions and problem solving attitudes of bank employees are the most significant factors affecting bank customers' adoption of Internet banking services. Geetha and Malarvizhi (2011) examined the factors that are affecting the customers' decision to accept e-banking services in India. The study highlighted the need for banks to understand the customers' concern for security and privacy issues with regard to the usage of e-banking, by increasing the trust between bank's website and their customers. This study further suggested strategies to be adopted by banks in India to enhance the usage of e-banking by the customers. Another study by Tater et al. (2011) explored the Indian consumer's perception on the adoption and usage of different banking channels such as branch banking, ATM, Internet banking and mobile banking. This study identified that factors such as convenience, privacy, security, ease of use, real time accessibility, and accuracy are enablers of banking technology adoption. The study also reported that slower transfer speed, technical failure, frauds and lack of awareness are hindering the adoption of this technology. Further, the results reveal that demographic characteristics of customers such as gender, age, education, and income play a significant role in adoption of different banking technologies.

Based on the above literature, the following factors were considered to be determinant of Internet banking adoption behavior of the bank customers viz. performance expectancy, effort expectancy, social influence, attitude towards Internet banking, trust perceptions, perceived security and awareness levels of the customers. Also, it was understood that adoption behavior of the bank customers could vary based on their personal characteristics such as gender, age, education, income, technology awareness etc.

METHODOLOGY

The methodology of the study is based on the primary data collected through well-framed and structured questionnaires to elicit the well-considered opinions of bank customers. Secondary data were collected from bank bulletins, books, journals, magazines, periodicals and websites. The study is empirical in nature and the data was collected through survey method. Out of 750 questionnaires distributed across the different commercial banks i.e. public sector, private sector and foreign banks, in Hyderabad, only 492 questionnaires were found to be usable for the study. The scale items for measuring the bank customers' beliefs on Internet banking were designed based on various previous literatures available and the same was validated through pilot study.

Data Analysis

The primary data collected through the questionnaire were analysed using the **SPSS V-15**. The following statistical tools used for data analysis .

1. Percentage Analysis
2. One sample t-test
3. Paired normalized t-test
4. One-way analysis of variance
5. Chi-square test
6. Factor Analysis
7. K-Means Cluster Analysis and Discriminant Analysis
8. Multiple Regression Analysis

DISCUSSIONS AND RESULTS

The study examines the beliefs of bank customers towards various attributes of Internet banking (including performance expectancy – usefulness, effort expectancy – ease of use, social influence – family, friends and bank staff influence, attitude towards Internet banking services, trust on the Internet banking website, perceived security – privacy concerns and awareness), based on their demographic and technology-related characteristics.

Table-1 presents the distribution of sample bank customers based on their demographic and technology-related characteristics.

Table-1: Distribution of the Sample Respondents – Demographic and Technology-Related Characteristics

S. No.	Factors	Items	N	Percentage
1.	Gender	Male	270	54.9
		Female	222	45.1
		Total	492	100.0
2.	Age	Young	294	59.8
		Middle	151	30.6
		Old	47	9.6
Total			492	100.0
3.	Education	School & Diploma	82	16.7
		Bachelor degree	170	34.6
		Master degree	164	33.3
		Professional & others	76	15.5
Total			492	100.0
4.	Occupation	Student	25	5.1
		Salaried	364	74.0
		Business	38	7.7
		Professional & others	65	13.2
Total			492	100.0
5.	Average Income (per month)	Low – Income	164	33.3
		Middle – Income	193	39.3
		High – Income	135	27.4
Total			492	100.0
6.	Computer Self-efficacy	Low	78	15.9
		Medium	283	57.5
		High	191	26.6
Total			492	100.0
7.	Internet Experience	Less	162	32.9
		Medium	157	31.9
		High	173	35.2
Total			492	100.0

I. Gender

The sample respondents have been divided into two groups based on their gender as ‘Male’ and ‘Female’. About 55 percent of the respondents are males and 45 percent were females.

II. Age

The sample respondents of this study have been grouped into three categories based on their age as ‘Young’ (20-35 years), ‘Middle aged’ (36-50 years) and ‘Old’ (50 years and above). As shown in Table-1, nearly 60 percent of the respondents are Young, 30 percent are Middle aged and about 10 percent belong to Old category.

III. Education

The sample respondents (bank customers) have been divided into four categories based on their educational qualification as ‘School & Diploma’, ‘Bachelor degree’, ‘Master degree’ and ‘Professional & others’. There are 16.7 percent of the respondents with School & Diploma education, 34.6 percent are with Bachelor’s degree, 33.3 percent are with Master’s degree and 15.5 percent of the respondents belong to Professionals and others category.

IV. Occupation

Bank customers have been classified into four categories based on their occupation as 'Student', 'Salaried', 'Business' and 'Professional & others'. As given in Table-1, 5.1 percent were students, 74 percent were salaried people, 7.7 percent were belonged to business category and the rest 13.2 belong to professional and others category.

V. Monthly Income

The sample respondents (bank customers) have been divided into three groups based on their average monthly income, as 'Low-Income' (below Rs. 20,000), 'Middle-Income' (Rs.20,001 to Rs. 40,000) and 'High-Income' (Rs. 40,001 and above). There are about 33.3 percent are in low-income group, 39.3 percent are in middle-income group and about 27.4 percent belong to higher income group.

VI. Computer Self-Efficacy

In this study, self-efficacy is understood as an individual's ability to apply his/her skills to successfully perform banking transactions online, thus differentiating the bank customers by their computation proficiency and computer skills. The bank customers have been classified into three categories as per their proficiency levels i.e. 'Low', 'Medium' and 'High'. There are 15.9 percent of the sample respondents belong to low category, 57.5 percent with medium and 26.6 percent are with high computer skills.

VI. Internet Experience

Finally, the sample respondents were also classified into three groups based on the length of Internet experience as 'Less' (below 5 years), 'Medium' (5 years to 10 years) and 'High' (Above 10 years). 32.9 percent of the respondents are having less Internet experience, 31.9 percent are having medium experience and 35.2 percent were found to be with higher experience on the Internet.

DETERMINANTS OF INTERNET BANKING ADOPTION

The major focus of this study is to reveal the factors that are influencing the behavioral intention of bank customers to adopt Internet banking services. Based on the extensive review of literature the following factors have been identified to be significant predictors of bank customers' intention to adopt Internet banking in India.

- a. Performance Expectancy: It is defined as the degree to which a consumer perceives Internet banking to be more useful in performing banking transactions than using the traditional banking channels
- b. Effort Expectancy: The degree of ease associated with the use of the Internet banking website and is measured by the perceptions of ease of using or understanding the operations of the online banking website services.
- c. Social Influence: People might use Internet banking services, if their friends or peers influence them to do so. The usefulness of Internet banking might be felt more, not only by oneself, but when it is recommended by others in a social group as the most desirable channel for performing banking transactions.
- d. Attitude: The degree to which a bank customer has a favorable or unfavorable opinion on the benefit of using Internet banking services.
- e. Trust perceptions: It can be understood as a consumer's confidence and belief in a bank's honesty toward its consumers. Lack of trust is one of the major reasons why customers are still reluctant to perform their banking transactions online.
- f. Perceived security: Bank customers' concerns about security and privacy have been identified as barriers to the use of electronic banking.
- g. Awareness: As bank customers become more informative about the features and benefits Internet banking can offer to them, they are more likely to accept and use it in the future.

FINDINGS AND CONCLUSION

The primary objective of this paper is to analyze the differences between the bank customers' beliefs on Internet banking based on their personal characteristics such as gender, age, income, occupation, self-efficacy, etc.



Further, the results of mean scores of Internet banking beliefs revealed that factors such as performance expectancy (benefits of using Internet banking) and effort expectancy (the easiness of the system) are considered to be most important across the different groups of bank customers. The study provides various inputs to the bank managers and strategists in understanding the preferences and expectations of their customers towards Internet banking adoption in India. The decision makers of the banks should analyze the differences between the perceptions of varied customer segments, and accordingly design strategies to motivate them in adopting this self-service banking technology.

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