

Consumer Acceptance of Online Banking in Mumbai Region

*Dr. O.M. Ashtankar, #Betsey Abraham

*Professor & Head of MMS, #Student MMS-IISem, St. John College of Engineering & Management, Palghar, University of Mumbai, India.

ABSTRACT: Banking is one of the emerging and fastest developing sector in Indian economy. In order to survive in this globally competitive world this sector is constrained to adopt the practices like online banking, cost cutting, diversification etc. Digitization and adoption of internet banking services has improved the performance of banks and benefited the both i.e. banks as well as consumers. However, for the country having diverse demography like India, the consumer acceptance to this new technology and system will decide the pace of development of the banking industry in the country. As a matter of fact the concept of online banking is still a new one to majority of the Indian consumers as compared to the developed countries. This paper is an attempt to understand the mindset of people in making use of online banking services and also to ascertain whether the demographic variables plays an important role in the usage rate of online banking services.

KEYWORDS - *Online, internet banking, bank, e-banking, ATMs, WAP, India.*

I. INTRODUCTION

The recent technological advancements like online banking, Artificial Intelligence, Cloud computing, block chain technology etc. have revolutionized the banking industry across the world. Banks are struggling to adjust their systems and manage the change arising through this technological disruptions. Banking industry is increasingly making use of online services to ensure competitive edge through enhanced customer satisfaction. Online banking is advantageous due to its benefits like time, location and cost. Apart from increasing the efficiency and effectiveness of the banking operations it also ensures convenience and ease of operations to the consumers. Online banking includes providing various services to the customers by using the delivery channel as internet by the banking institutions. In India the customers are slowly moving towards online banking. Although many banks have initiated switch to online mode but due to variety of issues like computer literacy, security/trust issues, diverse background of customers etc., the rate of adoption of the same varies according to the geographic area.

Currently Indian banking industry is facing a tough competition from non-traditional banking institutions. These institutions have started offering online banking and financial services. Advances in information technology and other technological fronts coupled with deregulation of the banking industry has enabled the new competitors of banks to quickly enter into the financial services market and efficiently operate from there posing a huge threat to the established players. A huge demand for digital cash has been registered after the demonetization in India. Online

stores like Amazon, Flipcart, olx.com, online payment for various etc. has necessitated e-banking and digital transactions. As such internet banking is a new concept for the Indian consumers as compared to the developed countries. Since, the concept is new and is slowly getting penetrated in the society, it is necessary to study the factors which may come in it's way of enhanced participation of the citizens in the online banking activities. Internet banking products has been classified into 3 categories by the Reserve Bank of India which are as follows:

Information Only System—This feature gives only information to the customers. Banking institutions upload sufficient information which is generally asked by the customers on it's website. Access to this information is free for everyone & does not require identification of any kind.

Electronic Information Transfer System —This feature entails customer- specific information like account balances, statement of accounts , transaction details etc. To access this customer identification and authentication is mandatory.

Fully Electronic Transactional System -This feature allows bi-directional capabilities. This feature enables the online transaction and updation of information in the banking records. It is mostly system driven and requires a very high level of security. It comprises of technology consisting of net working and security, legal infrastructure and interbank payment gateway. For ensuring the ease and convenience of the customers some of the internet banking products and services are listed as : Online fund transfer, Automated Teller Machines (ATMs), Mobile Banking,

Telebanking Electronic Clearing Services, Smart Cards, Online payments NEFT/RTGS, Electronic Payment Services – E Cheques, E-tax, E-ticketing, Account Opening Request, De-mat account, Account statement on emails, etc.

In case of online banking all the parties who are involved with various operations like customers, banks, regulatory agencies, stakeholders are getting benefitted in one way or the other. For the banks the benefit includes cost reduction, efficiency in operations and reduced errors. This will lead to more profitability and customer satisfaction for the banking institutions. In case of customers, advantages of online banking includes its convenience, ease of operations, secure, reliable, time saving operations. For regulatory agencies, the advantages includes easy to monitor, real time data availability, ease & convenience of regulating the affairs of the banking institutions.

In this competitive scenario it is very important to meet customer demands faster than the competitors. For this it is very essential to understand the requirements of the customers. After ascertaining customer demand, adequate measures should be designed to ensure their satisfaction. Online banking solves majority of these issues. Further, as the number of users of online banking are growing over the recent years, it is important to understand the characteristic and customer perception about various services of the banks. This will enable the banking institutions to enhance the quality of services which will lead towards customer satisfaction and competitiveness of the banks.

REASON FOR TOPIC SELECTION:

In India the usage rate of internet banking is much low compared to the advanced countries. Therefore, in order to remain competitive in this global era it is necessary that they reduce their transaction costs for various banking services. Internet banking can help them in achieving that. Thus, more the customers use internet banking more the profitability of the banks will be. To ensure this the strategy of encouraging customers to use internet banking services and improving the quality of it will work better. Towards this end, it is necessary for bank to understand how to satisfy their clients with their e-banking services. This research work which aims at designing appropriate marketing strategies for enhancing customer satisfaction through online banking services is an effort in the direction of making the Indian banks globally competitive.

II. OBJECTIVES

- 1) To ascertain the factors affecting usage of internet banking among the people of Mumbai Region.
- 2) To ascertain whether the demographic variables plays an important role in the usage rate of internet banking.
- 3) To ascertain the types of online banking services being used by the people in Mumbai region.
- 4) To ascertain the apprehension in the mind of people in making use of internet banking services.

- 5) To identify the popular mobile banking App being used by the People of Mumbai region.

HYPOTHESIS:

H₀1: There is no association between Gender and Educational background of Internet banking users

H₀2: There is no association between Gender and occupation of Internet banking users

H₀3: There is no association between Age and Internet banking user status

III. LITERATURE REVIEW

*Uppal R.K. (2010)*¹⁶ studied the usage of mobile banking during 2000-2007 in Indian banking industry. Conclusion of the study highlights that ATM is the most effective among all e-channels whereas usage rate of mobile banking is very poor in public and old private sector banks. But usage rate of m-banking is good in the banks operating in new private sector and also the foreign banks with approximately 50% branches providing m-banking services.

*Singh (2004)*¹⁵ examined the impact of online banking. The study objective was to find out the usage of internet in terms of who, why and where. The researcher found that usage of online banking is more by males than their female counterpart. The study analyzed that online money transfer, bills payment, checking balance, communication with the banks etc. services were prominently used by the customers. Among the reasons mentioned by the customers for not using online banking services is the security issue. The author suggested that to enhance the usage of online banking services, banking institutions should design attractive and more informative websites using various colors. Training on how to use online banking should be given to customers.

*Daniel (1999)*² defined electronic banking in terms of delivery of banks' information and services. He said, electronic banking is the delivery of banks' services and information by banking institutions to customers through devices like personal computer, mobile phone etc. via different delivery platforms.

*Lau (1997)*⁷ in his study he has defined internet banking as banking services delivery to customers' through internet (open-access computer network) directly to customer's home or private address.

*Liao et al. (2008)*⁹ emphasized on customized services. He had mentioned that tailored financial products and services aiming towards fulfilling customer' wants, preferences and quality expectation ensures the success in internet banking.

*Durkin, et. al. (2008)*³ said that simple product offering via internet banking facilitates the consumer's adoption of internet banking.

Mattila (2003)¹² concluded that the key to success in Internet banking is ensuring customer satisfaction and banks should customize products and services according to customers' specific needs in the future.

Liao and Cheung (2002)¹⁰ stated customers' expectations of transaction security, accuracy, user-friendliness, network speed, user involvement and convenience affects the willingness to use Internet banking.

Hill (2004)⁵ conducted a study of online banking users concerning to the identification of their characteristics. She stated that normally it is assumed that demographics plays an important role in acceptance of online banking. The study concluded that customers having the demographic characteristics such as young, trendy and high-earning tends to make more use of online banking. They prefer online banking tools, and are always willing to conduct all transactions through it.

Lee (2004)⁸ conducted a similar research but arrived at different results. He concluded that for online banking usage, attitude of the customers is more important than the demographics. He found out that CRM (Customer Relationship Management) efforts of the banking institutions themselves influence is more on who accesses online tools of self-service than any other factor. Hence, customers make use of online banking tools based on attitudes, not demographics.

Fitzgerald (2004)⁴ studied about customer perception on online banking. Towards this end he had analyzed four different research papers. His study concluded that security concerns and lack of awareness are the hindrances for online banking. Further, disregarding geographic, demographic or psychographic characteristics there are some common perceptions about online banking.

Liao et al. (2003)¹¹ suggested that consumer perceptions of transaction accuracy, transaction security and network speed and user friendliness are the critical success factors in Internet banking.

Curran and Meuter (2007)¹ stated that expectations of security, accuracy, network speed, user involvement, user-friendliness and convenience affects the willingness to use Internet banking.

Pikkarainen et al. (2004)¹³ stated that in order to motivate customers to use internet banking, banking institutions should ensure that they get timely and adequately the required information about Internet banking and its benefit.

Sathye (1999)¹⁴ found that one of the critical factor in low usage of internet banking services by the customers is low awareness about the benefits of Internet banking.

Howcroft et al. (2002)⁶ found that among the prominent reasons for consumers' reluctance to use internet

banking services are lack of awareness about benefits of internet banking services.

IV. METHODOLOGY

Considering the nature of the topic descriptive study focusing primarily on studying the usage of online banking with reference to demographic characteristics was conducted. Mumbai is one of the cosmopolitan city wherein a diverse group of people belonging to different geographic areas, income, education, religion, age, occupation are found. Hence, it was considered that the city can truly represents the Indian market. The researchers have designed a questionnaire to know about customer's willingness to conduct online banking. The questions were focused on the extent to which people use the Internet and does banking activities through online methods Random sampling method was used for the survey wherein data was collected personally from 150 respondents in Mumbai area.

V. DATA ANALYSIS

H₀₁: There is no association between Gender and Educational background of Internet banking users

Gender	Educational background of Internet banking users				
	Below Std.	10 th Std.	11 th or 12 th Std.	Graduation	P.G. & above
Male	1	9	32	10	
Female	3	2	11	10	

Level of Significance = 0.05

Chi-square = 7.92

degrees of freedom = 3

probability = 0.0476

Since 'P' value is less than the level of significance we reject the null hypothesis & it is concluded that association exists between Gender and Educational background of Internet banking users.

H₀₂: There is no association between Gender and occupation of Internet banking users

Gender	Educational background of Internet banking users			
	Student	Salaried	Housewife	Unemployed
Male	15	34	1	2
Female	10	12	3	2

Chi square test-

Level of Significance = 0.05

Chi-square = 5.12

degrees of freedom = 3

probability = 0.1629

Since 'P' value is more than the level of significance we accept the null hypothesis & it is concluded that there is no association between Gender and occupation of Internet banking users

H₀₃: There is no association between Age and Internet banking user status

Level of Significance = 0.05

Chi-square = 20.84

Degrees of freedom = 9

Probability = 0.00034

Since 'P' value is less than the level of significance we reject the null hypothesis & it is concluded that association exists between Age and Internet banking user status

Age	User	Non-User
Teenage	12	18
20 to 30	20	12
31 to 45	25	5
46 to 60	22	13
61 onwards	6	16

	Male				Female				TOTAL
	Education				Education				
	Below 10 th Std.	11-12 th	Graduation	P.G.+	Below 10 th Std.	11-12 th	Graduation	P.G.+	
User	0	9	32	10	3	2	11	10	77
Non User	27	6	14	5	4	13	28	5	102
TOTAL	27	15	46	15	7	15	39	15	179

VI. FINDINGS

- Educational background plays an important role in use of internet banking services. It is found that the usage of internet banking increases with the increase in the qualification of people.
- Male having their educational qualification below 10th Std. do not make use of internet banking services whereas 42% Female of same qualification make use of it.
- In the category of educational background between 11th & 12th Std. :60% Male & 13% Female make use of internet banking services
- In the category of educational background graduation :69% Male & 28% Female make use of internet banking services
- 66% of Male& Female having educational qualification as P.G. & more are using internet banking services.
- Overall usage rate of internet banking services in Mumbai region is 43%.
- Overall 66.6% Male & 33.33% Female make use of internet banking facility.
- In terms of making use of internet banking services are concerned association exists between Gender and Educational background of Internet banking users.
- In terms of making use of internet banking services are concerned no association between Gender and occupation of Internet banking users
- In terms of making use of internet banking services are concerned association exists between Age and Internet banking user status
- One of the type of internet banking App i.e. online money transaction/transfer App it is found that Paytm& Axis Mobile App are the mostly used mobile App by the people of Mumbai region.
- The apprehensions in making use of internet banking facility were mentioned during the survey by the respondents. Major apprehensions mentioned by the

respondents were: security threat perception& operational complexity.

- Online shopping, money transfer, bills payment are the mostly used services by the respondents in case of internet banking.

VII. CONCLUSION

Internet banking contributes in increasing the efficiency of the banking operation as well providing more convenience to customers. The misconceptions about internet banking like security threat perception, operational complexity, demographic factors etc. are some of the factors which affects the usage of internet banking by the people. The use of internet banking services are restricted to only initial level services like money transfer, bills payment & online shopping etc. Thus the need of increasing awareness among the people about various services and encouraging them to make use of various services therein may be taken up by the banking organizations and Govt. policy makers to ensure optimum use of the services. It is found that internet banking usage rate is directly proportional to education & inversely proportional to the age of customers. The findings of this study will also be useful in designing appropriate market segmentation strategies for organizing such campaigns.

REFERENCES

- [1] Curran, J.,Meuter, M., 2007; 'Encouraging Existing Customers to Switch to Self-Service Technologies: Put a Little Fun in Their Lives', Journal of Marketing Theory and Practice, 15(4), Pg.: 237-98.
- [2] Daniel, E., 1999;'Provision of electronic banking in the UK and the Republic of Ireland', International Journal of Bank Marketing, 17(2),Pg.:72-82.
- [3] Durkin, M., Jennings, D., Mulholland G. and Worthington, S., 2008;'Key influencers and inhibitors on adoption of the Internet for banking', Journal of Retailing and Consumer Services, Vol.15, Pg.: 348-357.

- [4] Fitzergelad, K.,2004;‘An Investigation into People’s Perceptions of Online Banking’ Accessed from <http://staffweb.itsligo.ie/staff/eward/ebus%200203/Discussion%20topics/Online%20Banking.ht> [Accessed 30January 2019].
- [5] Hill,K.,2004, ‘Study:Demographics Vs Marketing’, CRMdaily [online] Accessed from:http://www.crmdaily.newsfactor.com/story.xhtml?story_titleWhich_Comes_First__Demographics_or_Marketing_&story_id=23250&category=lylt
- [6] [Accessed on 31January 2019].
- [7] Howcroft, B., R. Hamilton and P. Hewer, 2002;‘Consumer attitude and the usage and adoption of home-based banking in the United Kingdom’, International Journal of Bank Marketing, 20(3), Pg.:111-121.
- [8] Lau, E., 1997; ‘Government policy on smart card applications and internet banking’, Hong Kong Monetary Authority.
- [9] Lee, J ,2004;‘Demographics vs. Marketing in Kimberly Hill’, CRM Daily, [online] Available: http://crm-daily.newsfactor.com/story.xhtml?story_id=23250 [Accessed 28 January 2019].
- [10]Liao, J. and Lin, T. ,2008;‘ Effect of consumer characteristics on their acceptance of online shopping comparisons among different product types’,Computer in human behavior, 24 (1), Pg.:48-65.
- [11]Liao, Z., & Cheung, M. T., 2002;‘Internet based e-banking and consumer attitudes: An empirical study’, Information and Management, 39,Pg.:283–295.
- [12] Liao, Z., & Cheung, M. , 2003; ‘Challenges to Internet E-Banking’, Communications of the ACM, 46(12), Pg.: 248-250.
- [13]Mattila, M., Karjaluo, H. and Pentto, T. , 2003;‘Internet banking adoption among adult customers: early majority or laggards?’, Journal of Services Marketing,17 (5), Pg.: 514-28.
- [14]Pikkarainen, T., K. Pikkarainen, H. Karjaluo and S. Pahnla, 2004; ‘Consumer acceptance of online banking: An extension of the technology acceptance model’, Internet Research, 14(3), Pg.: 224–235.
- [15]Sathye, M., 1999,‘Adoption of internet banking by Australian consumers: An empirical investigation’, International Journal of Bank Marketing, 1(7) Pg.:324-334.
- [16]Singh, A.M., 2004; ‘Trends in South African internet banking’, Aslib Proceedings, 56 (3),Pg.: 187-96.
- [17]Uppal R. K.,2008;‘Customer Perception of E-Banking Services of Indian Banks: Some Survey Evidence’, ICFAI University Journal of Bank Management, Volume-VII, Issue-1, Pg.: 63-78