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# Strategic Issues Towards Internet Banking: A Study of Perceptions of Banking Users of India

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## ABSTRACT

The introduction of internet banking in India has witnessed a tremendous growth in the Indian banking industry. Internet banking has become the latest channel of delivering financial services to different categories of its users. It is also known as online banking, internet banking, virtual banking etc. The success of concept of internet banking in India is highly dependent upon its users as well as the banks which have introduced the internet banking services in their bank. This research paper has been written from the point of view of users of internet banking services. The main objective of this paper is to study the perceptions of users of internet banking services and to study the strategic issues involved in it. For this purpose database of both primary and secondary sources has been used. The data for users' perception towards internet banking is collected using well structured and pretested questionnaire. The questionnaire is prepared on the basis of 5 point Likert scale. For the primary data collection the sample size of respondents is 100 for this study. The analysis was done using statistical techniques like descriptive statistics and *t*-test. The study concludes that customers perception on usefulness and convenience have strong influence on the internet banking adoption but security, privacy, tangibility and cost are such factors which negatively affect the perceptions of users of internet banking. These perceptions affect the user's decision of adoption of internet banking also.

**Keywords:** Internet Banking, Strategic Issues, Users' Perceptions, Internet Banking Adoption.

## 1. INTRODUCTION

Internet banking has now become a global phenomenon. Internet Banking which is also known as online banking or virtual banking is a most efficient way in now days to access banking services any time and

from anywhere. Internet banking helps to complete banking transactions by its users online without any need to visit the branch of the bank. It has completely transformed the way of traditional banking. Now customers of the banks are able to fulfill their every need without any hassle. Whether customer wants to check account balances or want to transfer funds, payment of bills, request for opening new account, e- fixed deposit, filing income returns etc., the customer can do all these simply with the help of internet banking. Internet banking provides various benefits to its users as well as to its provider banks. As far as users are concerned they can access 24/7 banking services which is not possible with brick and mortar banking. For users internet banking also provides easy, reliable, economical banking services. To the bankers internet banking offers paper less working environment, cost effective and profitable business activities. Internet banking is a channel of strategic opportunity that helps to reduce transaction costs, increase customer service, enhance the customer base and develop cross-selling opportunities. In this research paper an effort is made to record the perceptions of users of internet banking and to study the strategic issues involved in it. This research paper specifically deals with the methods of internet banking adoption and perceived challenges facing internet banking. The perceived importance of internet banking is also discussed in this paper.

## 2. REVIEW OF LITERATURE

The various empirical studies undertaken by various researchers are explained with the help of following table related with my research topic:

<i>Author and Sample size</i>	<i>Name of the study</i>	<i>Outcomes of the Study</i>
1. Ms. Fozia, India, 196 respondents	A Comparative Study of Customer Perception toward E-Banking Services provided by Selected Private and Public Sector Banks in India	Demographic factors impact significantly internet banking behavior, specifically, occupation and age and different age group of customer and different occupation group of customers have different perception toward the internet banking services.
2. Jayaraman Munusamy, Malaysia, 300 respondents	A Study of Users and Non-Users of Internet Banking in Malaysia	There are significant differences between internet banking adopters and non-adopters in terms of easier to operate, convenient, no hassle, reliable, safer to use and good Internet connections.
3. Abdulaziz, Qatar, 100 Respondents	Customers' Perception Of Online Banking In Qatar	IB concern amongst customers in Qatar was the safety and security of the service and lack of knowledge is one of the factors for having a low rate of IB usage.
4. Akram Jalal, Bahrain, 171 Respondents	Evaluating the Impacts of Online Banking Factors on Motivating the Process of Internet banking	The perceived usefulness, perceived ease of use and perceived credibility are the main important determinants of internet banking adoption and the system credibility disturb both the current and potential customers who intended to use internet Banking services.
5. Fereshteh, Iran, 384 Respondents	Consumers' perceived risk and its effect on adoption of online banking services	Consumers' performance risk perception, security risk perception, Time loss risk perception, privacy risk perception and Innovation adoption affect adoption of online banking Services
6. Myung Ko, United States, 302 Respondents	Personality, their perceptions, and green customers' concern on internet banking use	Openness to experience was found to have a significant positive association with Internet banking use. Security concern was negatively associated with Internet banking use while perceived usefulness was positively associated with internet banking use and green concern has a strong positive association with internet banking use.

<i>Author and Sample size</i>	<i>Name of the study</i>	<i>Outcomes of the Study</i>
7. Peter Misiani, Kenya, 391 respondents	Effects of Perceived Attributes, Perceived Risk and Perceived Value on Usage of Online Retailing Services	Perceived attributes is the most pronounced factor motivating the usage of online retailing services in Kenya and perceived risk as a barrier to online retailing usage in Kenya and perceived value is positively associated with usage of online retailing services.
8. Dalia El- Kasheir, Egypt, 384 Respondents	Factors Affecting Continued Usage of Internet Banking Among Egyptian Customers	Perceived ease-of-use was found to be the strongest predictor of intentions to continued usage of internet banking services. Demographic variables had no significant effect on continued usage of internet banking services. Finally, Perceived risk had no relationship with customer continued intention to use the service.
9. Hanudin Amin, Malaysia, 250 Respondents,	Internet Banking Adoption Among Young Intellectuals	Perceived usefulness, Perceived ease of use and perceived credibility had a significant relationship with behavioral intention.
10. Rahmath Safeena, India, 300 Respondents	Internet Banking Adoption in an Emerging Economy: Indian Consumer's Perspective	Perceived usefulness, Perceived ease of use and Perceived risks are the important determinants of online banking adoption.

### 3. OBJECTIVES OF THE STUDY

The study is undertaken with the following objectives:

1. To study the perceptions of users of internet banking.
2. To study the strategic issues, challenges involved in internet banking.

### Hypothesis of the Study

H0: The user's perceptions on internet banking have positive impact on adoption of internet banking.

### Limitations of the Study

The present study is based upon the results of survey conducted on only 100 respondents. The results of the study are subject to the limitations of sample size, regional territory, psychological, financial and emotional characteristics of surveyed population. Due to such limitations the study cannot be generalized.

### 4. RESEARCH METHODOLOGY

#### Data Collection

This research is based upon the primary as well as secondary study. In order to arrive at the sample size, non probability method and convenience method has been used. For the primary data collection the structured pre tested questionnaire is used to record the response of various respondents. Data is collected from 100 respondents to record the responses of bankers to study their perception towards internet banking in Punjab. All items were measured by responses on a Five-Point Likert Scale in agreement/relevance with statements, ranging 1 = Strongly agree/Completely relevant to 5 = Strongly disagree/Completely irrelevant. The sources used for secondary data collection includes research papers, articles, websites of banks, data published by RBI.

## Data Analysis

The reliability of data has been tested through Cronbach Alpha, It has further been analyzed thought descriptive statistics. The techniques like descriptive statistics and *t*-test. The analysis of primary data was carried out using Statistical Package for the Social Sciences (SPSS) 21.

## 5. FINDINGS AND DISCUSSIONS

**Table 1**  
**Sex of Respondents**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
Male	44	44
Female	56	56
Total	100	100.0

*Source:* Questionnaire

This research is done on total of 100 respondents and these respondents include 44 male respondents and 56 female respondents.

**Table 2**  
**Educational Qualification**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
High School	1	1.0
Graduate	39	39.0
Post Graduate	60	60.0
Total	100	100.0

*Source:* Questionnaire

Table 2 depicts the educational background of respondents. 1% of respondents have passed just high school, 39% are graduates and remaining 60% of respondents are such who are having a degree of post graduation. This research has maximum post graduation qualified respondents.

**Table 3**  
**Age Wise Classification of Respondents**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
Less than 30 Years	59	59
31-40 Years	25	25
41-50 Years	9	9
51-60 Years	5	5
Above 60 Years	2	2
Total	100	100.0

*Source:* Questionnaire

The table shows the age wise classification of the respondents. It is found that 59 respondents (59 per cent) belong to the age group less than years; 25 respondents (25 per cent) belong to 31-40 years; 9 respondents belong to 41-50 years; 5 respondents belong to 51-60 years and 2 respondents belong to the

age group of above 60 years. The study found that majority of the respondents belongs to the age group of less than 30 years.

**Table 4**  
**Occupation Wise Classification**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
Self business	24	24
Serviceman	35	35
Family Occupation	5	5
Student	25	25
Not Employed	11	11
Total	100	100.0

*Source:* Questionnaire

The table provides the occupation wise classification of the respondents. It is evident from the table that out of 150 respondents, 24 respondents were doing business; 35 respondents were serviceman, 5 respondents were in family occupation, 25 respondents were student and 11 respondents were not employed. It is proved from the observation that majority of the respondents are serviceman.

**Table 5**  
**Income Wise Classification**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
Below 1 Lakh	40	40
1-3 Lakh	19	19
3-5 lakh	15	15
Above 5 Lakh	6	6
No income	20	20
Total	100	100.0

*Source:* Questionnaire

The table shows income details of the respondents. It is clear from the table that below one lakh is earned by 40 respondents, 19 respondents have reported that their income falls between 1-3 lakhs; 15 respondents have reported that their income is between 3-5 lakhs; 6 respondents have reported that their income is above 5 lakhs and 20 respondents were earning nothing.

**Table 6**  
**Tenure of Account**

<i>Particulars</i>	<i>Frequency</i>	<i>Percent</i>
Less than 5 Years	49	49
6-10 Years	38	38
11-15 Years	8	8
16-20 Years	3	3
More than 20 Years	2	2
Total	150	100.0

*Source:* Questionnaire

The detail regarding the period of account holder in bank is shown in this table. It is found from the table that 49 respondents reported that they are account holders of the bank for less than 5 years; 38 respondents informed that they are account holders for 6-10 years; 11-15 years reported by 8 respondents 16-20 years reported by 3 respondents and above 20 years reported by 2 respondents. It is exciting to make a note of from the study that majority of the respondents have account in banks less than 5 years.

### 6. RELIABILITY ANALYSIS

Reliability was examined on all items in this study and as test of reliability Cronbach’s Alpha was adopted to represent internal consistency. Table 7 shows the positive reliability test with value .846 as it is greater than the value of 0.7. Hence it can be concluded that the items reliably measure the defined constructs.

**Table 7**  
**Reliability Statistics**

<i>Cronbach's Alpha</i>	<i>N of Items</i>
.846	16

Source: Questionnaire

### 7. PERCEPTIONS OF USERS OF INTERNET BANKING

Table 8 covers sixteen variables to study the perceptions of users of internet banking in India. Among these variables the last three variables has maximum mean value 3.5000 which shows that customer perception on internet banking services cost is negative i.e. the customers perceive that using internet banking as compared to brick and mortar banking is not cost effective. The variable on technological illiteracy among bankers, lack of infrastructure and extent of delivery of internet banking services by them to their customers have mean value 3.3100 which signifies that tangibles of banks are not much strong due to which customers hesitate using internet banking services. User’s perceptions on usefulness have a positive influence on their adoption of internet banking. The mean value of internet banking services are generally faster than traditional banking which helps customers to avoid long queue in banking halls is 1.8000 which shows that user perceive that they can complete their banking transactions faster than traditional banking services. Table also shows that users find it convenient to complete their banking tasks with the help of internet banking. From the risk point of view the table signifies that internet banking help in avoiding many risks like robbery in physical handling of large amount of cash. The security aspect studied in this paper shows negative impact on the perceptions of users of internet banking. Due to this reason traditional banking services are still preferred by them and they choose face to face banking services. The mean values in this table are shown in ascending order that is the variable which shows negative perceptions to study is at last and the variable which has minimum and positive impact in this study is at top.

**Table 8**  
**One-Sample Statistics**

	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Std. Error Mean</i>
1. Internet banking services are generally faster than traditional banking which helps customers to avoid long queue in banking halls.	100	1.8000	.84087	.08409
2. There is high degree of convenience in Internet banking as you can access the banking services from anywhere.	100	1.8000	.84087	.08409

	N	Mean	Std. Deviation	Std. Error Mean
3. Using Internet banking service is more prestigious than queuing at the bank halls.	100	1.8000	.84087	.08409
4. Internet banking may help in avoiding many risks like robbery in physical handling of large amount of cash.	100	1.8000	.84087	.08409
5. Traditional banking still remain the best option for our clients	100	2.9200	1.11627	.11163
6. Security concerns is the most discouraging factor in using E banking because customer feel insecure as they do not know where electronic transaction pass and whom they meet.	100	2.9200	1.11627	.11163
7. Most of the customers do not know how to use and are not aware of some Internet banking services provided by their banks.	100	2.9200	1.11627	.11163
8. Internet banking services generally do not have privacy of customer's information.	100	2.9200	1.11627	.11163
9. Most of the customers prefer face to face banking	100	2.9200	1.11627	.11163
10. Customers fear using Internet banking because electronic crimes are arising greatly.	100	2.9200	1.11627	.11163
11. There is technological illiteracy among bankers.	100	3.3100	1.11641	.11164
12. Lack of infrastructure is the main hurdle/problem.	100	3.3100	1.11641	.11164
13. Most of customer's banks are providing few internet banking services and some have not yet adopted internet banking services.	100	3.3100	1.11641	.11164
14. The services are simply too cheap for the lower and consumer.	100	3.5000	1.03962	.10396
15. Bankers charge fewer fees on using internet banking services.	100	3.5000	1.03962	.10396
16. Internet banking services are generally cheaper than traditional banking at the branch as the cost of providing them is less.	100	3.5000	1.03962	.10396

Source: Questionnaire

The above table 9 analyses that the value of significance level (*p*-values) obtained by *t*-test are smaller than 0.05 for each factor. Therefore, null hypothesis of the paper is rejected i.e. respondents support alternate hypothesis. It means the perceptions of users of internet banking are significantly different and these perceptions have significant influence on the adoption of internet banking.

**Table 9**  
**One-Sample Test**

	Test Value = 0					
	<i>t</i>	<i>df</i>	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Traditional banking still remains the best option for our clients.	26.159	99	.000	2.92000	2.6985	3.1415
The services are simply too cheap for the lower and consumer	33.666	99	.000	3.50000	3.2937	3.7063
There is technological illiteracy among bankers	29.649	99	.000	3.31000	3.0885	3.5315
Lack of infrastructure is the main hurdle/ problem	29.649	99	.000	3.31000	3.0885	3.5315
Security concerns are the most discouraging factor in using Internet banking.	26.159	99	.000	2.92000	2.6985	3.1415

	<i>Test Value = 0</i>					
	<i>t</i>	<i>df</i>	<i>Sig.</i> <i>(2-tailed)</i>	<i>Mean</i> <i>Difference</i>	<i>95% Confidence Interval of</i> <i>the Difference</i>	
					<i>Lower</i>	<i>Upper</i>
Most of the customers do not know how to use and are not aware of some Internet banking services.	26.159	99	.000	2.92000	2.6985	3.1415
Internet banking services generally do not have privacy of customer's information.	26.159	99	.000	2.92000	2.6985	3.1415
Most of the customers prefer face to face banking	26.159	99	.000	2.92000	2.6985	3.1415
Most of customer's banks are providing few Internet banking services and some have not yet adopted Internet banking services.	29.649	99	.000	3.31000	3.0885	3.5315
Bankers charge fewer fees on using Internet banking services.	33.666	99	.000	3.50000	3.2937	3.7063
Customers fear using Internet banking because electronic crimes are arising greatly.	26.159	99	.000	2.92000	2.6985	3.1415
Internet banking services are generally faster than traditional banking which helps customers to avoid long queue in banking halls.	21.406	99	.000	1.80000	1.6332	1.9668
There is high degree of convenience in Internet banking as you can access the banking services from anywhere.	21.406	99	.000	1.80000	1.6332	1.9668
Internet banking services are generally cheaper than traditional banking at the branch as the cost of providing them is less.	33.666	99	.000	3.50000	3.2937	3.7063
Using Internet banking service is more prestigious than queuing at the bank halls.	21.406	99	.000	1.80000	1.6332	1.9668
Internet banking may help in avoiding many risks like robbery in physical handling of large amount of cash.	21.406	99	.000	1.80000	1.6332	1.9668

Source: Questionnaire

## 8. CONCLUDING REMARKS

The results and analysis of the present study reveals that perceptions of users of internet banking in India have great influence on their decision to adopt internet banking services provided by their banks. The perceptions on usefulness, security, risk, cost and tangibility are studied. These dimensions are calculated into sixteen different variables. Data collected from respondents proves that security is still the main strategic issue of the users of internet banking services. Security concerns is the most discouraging factor in using internet banking because customer feel it insecure as they do not know where electronic transaction pass and whom they meet. Most of the customers also do not know how to use and are not aware of some Internet banking services provided by their banks. Customers also feel that there are certain privacy issues while using internet banking as compared to traditional banking. Customers also fear using Internet banking because electronic crimes are arising greatly. Due to all these strategic issues customers prefer to use face to face banking. But despite of all these strategic issues study also reveals that users of internet banking find it



useful and convenient as internet banking services are generally faster than traditional banking which helps customers to avoid long queue in banking halls. Respondents also answered that internet banking help in avoiding many risks like robbery in physical handling of large amount of cash. But as far as cost factor is concerned the respondents under study feels that bankers charge more fees on providing internet banking services and users also find that internet banking services are costly as compared to traditional banking services. So in nutshell it can be concluded that customers perception on usefulness and convenience have strong influence on the internet banking adoption but security, privacy, tangibility and cost are such factors which negatively affect the perceptions of users of internet banking.

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