

Understanding the Reasons for Non-Adoption of Internet Banking

¹Dr. P. Praveen Kumar, ²Ms. K. C. Raja Shree

¹Asst. Professor, Saveetha School of Management, Saveetha Institute of Medical and Technical Sciences, Chennai – 77.

²Asst. Professor, Saveetha School of Management, Saveetha Institute of Medical and Technical Sciences, Chennai – 77.

*Corresponding author E-mail: praveenkseva@gmail.com,

Abstract

In the recent years, Internet Banking (IB) acts as a popular mode of payments. The adoption rate of IB is significantly increasing in India among mature consumers. This study primarily aims to measure the level of awareness about different features of internet banking and various reasons for non-adoption of IB. Furthermore, this proposed study attempts to measure the relationship between personal profile and reasons for non-adoption of IB. Data has been grabbed through questionnaire. The respondents are professional students who pursue their professional degree in Chennai. This study finds that students possess knowledge about various features of IB. Due to lack of personal touch, students are not adopting IB. There is a relationship between personal profile of students and their reasons for non-adoption.

Keywords: IB, RBI, e-commerce, Professional Students, Chennai

1. Introduction

Reserve Bank of India (RBI) performs several functions for overall growth of a nation. IB is one of the products of e-commerce in the field of financial services. IB renders various online services such as balance enquiry, payments, applying loans and other banking services. IB acts as a popular medium of delivery/payments of financial services, has got wider acceptance. Cost-conscious banking firms in India are primarily considering IB as mode for providing their financial services. Banks that offer their services through internet claim that there is a reduction in cost (Rotchanakitumnuai & Speece, 2003).

India essentials comprehensive growth to draw the millions of people out of poverty. In view to create workable m-banking service, the telecom service providers, regulators and financial institutions should involve end-users (Mishra & Bisht, 2013). Banking firms should enhance the privacy and security in order to improve the trust of end-users (Nasri and Charfeddine, 2012).

Management of banking sector may confirm the steadiness of banks. The banking system should transpose them to see the expectations of changing economic environment (Raluca, 2015).

2. Review of Literature

Fatma and Rahman (2016) have calculated the causes of Corporate Social Responsibility (CSR) and corporate ability on buying intention of the consumers. This study has applied impact of awareness as a controlling variable between purchase intention and CSR. This study revealed that corporate ability exerts strong influence on the purchase intention. Furthermore, impact of awareness controls the influence of CSR on purchase intention of the consumers.

Montazemi and Qahri-Saremi (2015) have systematically reviewed the acceptance of online banking in order to propose the models related to affecting pre as well as post adoption of the online banking. This study has analysed 25,265 cases. The researchers have applied structural equation model to test the proposed models. The results of this study reveal that nearly ten factors influence acceptance of online banking. This study also finds that those factors differ on the basis of pre and post adoption.

Shaikh and Karjaluo (2015) have analysed the existing literatures related to adoption of mobile banking (m-banking) in developed and developing countries. Furthermore, this study has also analysed the extent reviews related to SMS banking in developing countries. The analyses found that research in m-banking lacks a clear roadmap. This study has finds that compatibility, attitude and perceived usefulness influence intention. This study recommends for continuous research work in m-banking.

Fonseca (2014) has conducted comparative study of EU 27 countries. Furthermore, this study identified distinct e-banking user sections of Portuguese citizens. This study has collected data from 2358 respondents with the help of questionnaire. This research has applied LCM for the purpose of analyzing the collected data. Findings of this study enable managers of e-banking for taking strategic decisions.

Hanafizadeh and et al. (2014) have systematically reviewed 165 research works related to Internet Banking (IB) adoption from 1999 to 2012. Results revealed that there is a significant increase in interest in the area of IB adoption. The study discusses the significant trends in the adoption of IB literature. The researchers outline some areas for further research work.

Kesharwani and Bisht (2012) Well designed websites reduces perceived risk and enhances the usage of internet banking.

Rotchanakitumnuai and Speece (2003) In-depth interviews reveal that internet is the factor which controls the adoption of internet banking. Existing users of internet banking are confident about the system.

Mattila and et al. (2003) states that among mature customers, Internet banking acts a popular mode of payment. Household income and education influence the adoption.

Sathye (1999) has examined the factors which affect internet banking adoption by Australian consumers. This study revealed that security, awareness level and benefits influence the adoption of internet banking.

Objectives

1. To assess the level of awareness about IB among professional students.
2. To assess the reasons for non-adoption of IB.
3. To find out the relationship between personal profile of students and their reasons for non-adoption of IB.

Table 1: Demographic Profile

Gender	Frequency (%)	Place of Residence	Frequency (%)
Female	72 (47.7%)	Urban	45 (29.8%)
Male	79 (52.3%)	Semi-urban	106 (70.2%)
Qualified Education	Frequency (%)	Age	Frequency (%)
B.Com. / B.B.A. / B.B.M.	82 (54.3%)	< 22 Years	72 (47.7%)
B.Sc. / B.C.A.	33 (21.9%)	22 - 24 Years	60 (39.7%)
B.E. / B.Tech.	36 (23.8%)	> 24 Years	19 (12.6%)

It is inferred from Table 1 that majority of the students are male and belong to age group of less than 22 years. Majority of the students (106) are living in semi-urban area. Table displays that majority of the students (54 percent) have completed B.Com. / B.B.A. / B.B.M. while 21.9 percent of the students studied B.Sc. / B.C.A. It is obvious that students with under graduate in commerce and management prefer M.B.A.

IB is an electronic payment system that provides access to all online banking features such as information about bank account details, bill payments, fund transfers and other value added services. IB is a convenient way to operate bank account. The awareness level about different features of IB is an important factor that influences the adoption of IB. This section tries to measure the awareness level of professional students about the different features of IB. The results are shown in Table 2.

Table 2: Awareness about different features of IB

S. No.	Awareness about different features of IB	Mean (Rank)
1.	IB provides the details of your bank account, account balance, demat account, credit card, loan account and more (Account Details)	4.23 (1)
2.	IB enables you to transfer funds to your own account and others account (Transfer of Funds)	4.14 (2)
3.	You can request for ATM pin, Cheque book and more through IB (Requests)	2.81 (3)
4.	IB also provides various investment and value added services (Services)	2.71 (4)

Table 2 shows that account details has the highest mean value of 4.23 followed by transfer of funds (4.14), requests (2.81) and services (2.71). Students are not aware of the different investment and value added services provided by banks through IB. It is inferred from the table that students possess quite knowledge about the different feature of IB. Even though students have

3. Research Methodology

Study is based on primary data and descriptive in nature. Primary data has been collected by administering well-structured questionnaire from 151 professional students. The sample frame is Chennai while the population is professional students who pursue their professional degree. Statistical techniques such as mean, frequency, independent samples-test, ANOVA and Exploratory Factor Analysis (EFA) have been used for analyzing the collected data. Statistical tools of MS Excel and IBM SPSS 19.0 used in this study.

Data Analysis and Results

Demographic profile includes personal details such as gender, place of residence, qualified education and age of the professional students. Results of frequency analysis displayed in Table.

awareness about IB, they are not adopting IB for various reasons. The reasons for non-adoption of IB are displayed in Table 3.

Table 3: Reasons for Non-Adoption of IB

S. No.	Reasons for Non-Adoption of IB	Mean (Rank)
1.	I am not using variety of banking products and services (Products and Services)	4.11 (3)
2.	No personal touch (Personal Touch)	4.19 (1)
3.	Privacy, Security and Trust (Security)	4.11 (3)
4.	Limited technological support for internet banking (Technology Support)	4.05 (5)
5.	Accessibility	3.82 (11)
6.	Lack of awareness about internet banking (Awareness)	3.72 (14)
7.	Due to more hidden cost (Hidden Cost)	3.92 (8)
8.	Internet banking has limited features (Features)	3.99 (6)
9.	Lack of income (Income)	3.96 (7)
10.	Reluctance to change (Reluctance)	3.84 (10)
11.	Poor service quality (Service Quality)	3.8 (12)
12.	Lack of Government support for internet banking (Government Support)	3.79 (13)
13.	High level of risk element (Risk)	4.14 (2)
14.	There is more complexity in internet banking (Complexity)	3.89 (9)

Table 3 shows the values of mean and rank. It is clear from the table that personal touch has the highest mean value of 4.19 followed by risk (4.14), products and services (4.11), security (4.11), technology support (4.05), features (3.99), income (3.96), hidden cost (3.92), complexity (3.89), reluctance (3.84), accessibility (3.82), service quality (3.8), Government support (3.79) and awareness (3.72). It is inferred that students are not adopting IB due to lack of personal touch with the bankers. It is

also clear that awareness level is not influencing the adoption of IB. Some fourteen items have been taken to measure the reason for non-adoption of IB. However, these fourteen variables may be connected to each other. Factor analysis has been applied to group such interrelated variables.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy.	0.6
Bartlett's Test of Sphericity	Approx. Chi-Square 529.350 Sig. 0.000

KMO and Bartlett's test have been performed to measure the data adequacy for applying factor analysis. Table 4 includes values of KMO, Bartlett's test chi-square and its significant level. It is clear from the table that KMO value is greater than 0.5 while chi-square value is significant at one percent level. It is inferred that the collected data is adequate for conducting factor analysis.

Table 6: Rotated Component Matrix

	Component				
	Services	Complexity	Features of IB	Income	Trust
Reluctance	0.764				
Technology Support	0.652				
Products and Services	0.639				
Awareness	0.579				
Complexity		0.772			
Accessibility		0.736			
Risk		0.718			
Government Support			0.724		
Features			0.678		
Service Quality			0.532		
Income				0.880	
Personal touch				0.488	
Hidden Cost					0.719
Security					0.684

First factor comprises of four items of reluctance, technology support, products and services and awareness. Second factor includes three variables such as complexity, accessibility and risk while third factor contains three variables of Government support, features and service quality. Fourth factor includes two items of income and personal touch. Fifth and final factor contains two items such as hidden cost and security. Based on the theme of

Table 5: Total Variance Explained

Component	Total Variance	% of Variance	Cumulative %
1	2.183	15.591	15.591
2	1.959	13.994	29.585
3	1.737	12.407	41.991
4	1.680	12.001	53.992
5	1.377	9.837	63.829

Factor analysis grouped fourteen variables into five factors. First factor explains 15.59 percent of variance followed by second factor (13.99 percent), third factor (12.41 percent), fourth factor (12 percent) and fifth factor (9.84 percent). All these five factors totally explain 63.83 percent variance.

items, these factors have been labeled as services, complexity, features of IB, income and trust respectively.

The relationship between demographic profile such as age, qualified education, place of residence and gender of students and their reasons for non-adoption of IB has been identified using ANOVA and independent samples t-test. The results are shown in Table 7.

Table 7: Relationship between Profile and Reason for Non-Adoption

Reasons	F Value		T Value	
	Age	Qualified Education	Place of Residence	Gender
Services	2.158	0.856	0.984	-2.798***
Complexity	6.071***	1.519	2.037	0.706
Features of IB	1.880	0.961	-1.080	-3.677***
Income	0.388	0.589	-0.683	-3.184***
Trust	4.566**	3.951**	-1.527	-2.401**

*** indicates one percent significant; ** indicates five percent significant.

Table 7 shows values of F test (ANOVA) and T test (Independent samples t-test). It is clear from the table that gender, age and qualified education have significant value of less than five percent. It is inferred that there is a significant relationship between personal profile of students and their reasons for non-adoption of IB.

4. Conclusion

Professional students possess knowledge that IB provides the details of bank account, account balance, demat account, credit card, loan account and more while they are not having an idea about various investment and value added services provided by Banks through IB. Majority of students are not adopting IB due to the lack of personal touch with the Bank. This study also finds that awareness level about IB is not influencing the reason for

non-adoption. Furthermore, personal profile influences non-adoption of IB. Results of this study shall be useful for researchers, academicians and executives of RBI. Validated questionnaire used in this proposed study can be used by the researchers and academicians for further research. Results related to the analyses of level of awareness about IB and reasons for non-adoption of IB enable executives of RBI for taking strategic decisions.

References

- [1] Fatma, M., & Rahman, Z. (2016). The CSR's influence on customer responses in Indian banking sector. *Journal of Retailing and Consumer Services*, 29, 49-57.
- [2] Fonseca, J. R. S. (2014). e-banking culture: A comparison of EU 27 countries and Portuguese case in the EU 27 retail banking

- context. *Journal of Retailing and Consumer Services*, 21(5), 708-716.
- [3] Hanafizadeh, P., Keating, B. W., & Khedmatgozar, H. R. (2014). A systematic review of Internet banking adoption. *Telematics and Informatics*, 31(3), 492-510.
- [4] Mishra, V., & Bisht, S. S. (2013). Mobile banking in a developing economy: A customer-centric model for policy formulation. *Telecommunications Policy*, 37(6-7), 503-514.
- [5] Montazemi, A. R., & Qahri-Saremi, H. (2015). Factors affecting adoption of online banking: A meta-analytic structural equation modeling study. *Information & Management*, 52(2), 210-226.
- [6] Nasri, W., & Charfeddine, L. (2012). Factors affecting the adoption of Internet banking in Tunisia: An integration theory of acceptance model and theory of planned behavior. *The Journal of High Technology Management Research*, 23(1), 1-14.
- [7] Raluca, B. C. (2015). Dynamics and Structural Evolutions of the Romanian Banking System Due to the Financial Globalization. *Procedia Economics and Finance*, 22, 191-200.
- [8] Rotchanakitumnuai, S., & Speece, M. (2003). Barriers to Internet banking adoption: a qualitative study among corporate customers in Thailand. *International Journal of Bank Marketing*, 21(6/7), 312-323.
- [9] Sathye, M. (1999). Adoption of Internet banking by Australian consumers: an empirical investigation. *International Journal of Bank Marketing*, 17(7), 324-334.
- [10] Shaikh, A. A., & Karjaluoto, H. (2015). Mobile banking adoption: A literature review. *Telematics and Informatics*, 32(1), 129-142.