

**AN EMPIRICAL STUDY OF ADOPTION OF INTERNET BANKING IN UDUPI AND  
MANIPAL CITY OF KARNATAKA**

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**ABSTRACT**

The aim of this paper was to explore factors that stimulate bank customers thought and behavior to adopt internet banking in Udupi and Manipal city, Karnataka. The study covers several factors related to internet banking perception. Internet facility act as an alternative delivery channel having social impact as innovative resources, interpreters found it as one of the significant factor elements for customers to use internet banking. Data were collected by a cross-sectional survey in the Udupi and Manipal city of Karnataka. As a tool questionnaire was used. The study covering a sample of 315 bank customers. Exploratory factor analysis was performed on five key scales.

Keywords: Internet banking, adoption, factors, technology, knowledge, resources.

**Introduction:**

Banks introduced internet banking as a fresh, innovative and alternative delivery channel for their products and offerings. Information technology increases efficiency and output of banks globally (Bitner et al. 2002). Internet banking provides facility to get information about account and transact electronically for everyday personal and business activity (McCole & Ramsay 2009). The choice to do internet banking is very much depend upon customers' electronic familiarity, interaction and importance. It is vital for success of any technology to understand how customers make choice and decide to use and not to use. At the same time service providers try to know customers preferences and beliefs (Lindgreen & Wynstra 2005). Acceptance and adoption at level of expected customers is important for effective implementation of internet banking. Behaviour of customers towards adoption of internet banking is combination of various aspects of social, economical, psychological, technological, perceptual factors. This viewpoint emphasizes that adoption of internet banking is mainly result of communication procedure to learn and basic step in investigating this procedure is to identify major influencing factors to adopt internet banking. As effectively adopted and applied feature of bank, service provider must provide transparent benefits and information for customers but that much alone are not sufficient state to understand internet banking adoption behavior (Lassar et al, 2005 ).

**Literature Review:**

Internet banking offers various facilities & advantages to customers and banks together. Internet banking act as a key element of strategies of multi-channel facility, products and services of bank. Owing delivery of bank services and products through internet banking, bank facilitates customers to access account, perform various financial activities and get information on services and products without going bank physically (FinCEN 2000). Internet banking is easy, fast, less expensive and convenient approach to do banking round the clock and across the geographies. (Bradley & Stewart 2003). Internet banking supports bank to grow into today's hardcore competitive environment by providing better and convenient services to customers with reduction of cost and time (Abu-Shanab & Pearson 2007). Internet banking grow as one of the popular bank delivery channel in few countries like US, where 4 out of 5 households use internet banking (Fiserv 2009). One of the survey of ABA (American Bankers Association) indicates change in preference of people to do banking online, only 21% people still like to visit physical branches of bank (ABA 2009). Studies have investigated various factors that influence negatively on adoption of internet banking. Moreover the causes by digital divide, for example behavioural approach, lack of knowledge, low awareness, unreachability & inaccessibility, security & privacy etc., was exposed as some crucial factor related to internet banking non-adoption (White & Nteli 2004). Internet as a medium of delivery channel and platform for internet banking not gaining proper faith among customers because of its insecure nature. Customers concern related to privacy & safety is much more and they have fear not to

compromise with all sensitive information related to account and transactions (Minjoon & Shaohan 2001). Phishing and different act of hackers also increasing day by day and one of the cause of distrust of customers about internet banking (Nor et al. 2010). On the other hand customers who have faith that internet banking is safe with some precaution and if performed in secure environment are adopting it (Rotchanakitumnuai & Speece 2003). Users who already using internet channels for financial activities are more confident about reliability of system than non-users (Rotchanakitumnuai & Speece 2003). Further causes contrary to use of internet banking include disinterest, user unfriendly websites, complex steps to finish any financial activity, poor internet connection and web browsers and other technological problem (Gerrard et al. 2006). Literature make available many studies having potential to enlighten adoption of internet banking.

Social influence and performance expectancy significantly influence intention of customers to adopt internet banking (Abu-Shanab and Pearson 2007). The outcome also showed that age, gender, qualification, experience reasonably influence internet banking adoption intention. Some author mentioned that security, privacy, trust and risk are vital affecting factor to adopt internet banking (Nor et al. 2010). Likewise Kolodinsky et al. (2004) stated that users attitude, accessibility, ease to use, complexity, life style, convenience, trust & distrust, need of use and many more factors are responsible to determine decision of customers to accept or not to accept internet banking services.

### **Objectives:**

The objective of present paper is to study factors related to adoption of internet banking among bank customers of Udipi and Manipal city of Karnataka.

### **Methodology:**

A cross sectional study on customers of bank in Udipi and Manipal city, Karnataka.

Convenience sampling method was used.

Sample size was 315.

Survey tool was questionnaire in English with five point Likert scale that was a) 1= strongly disagree, b) 2= disagree, c) 3= neither agree nor disagree, d) 4= agree, e) 5= strongly agree. Questionnaire contain demographic profile and questions linked to adoption of internet banking. Statistical analysis was done with the help of SPSS 16.0 package and excel.

### **Results and Discussion:**

For study questionnaire were distributed among 350 bank customers. Among returned questionnaire 315 properly filled were used for study. The result of returned questionnaire indicate 57.14% bank customers were not using internet banking while 42.86 were using (Table 1).

Respondents participated in survey

Respondents participated in survey		
	Frequency	Percent
Using IB	135	42.86
Not using IB	180	57.14
Total	315	100.0

Respondents demographic profile			
		Frequency	Percent (%)
Gender	Male	193	61.3
	Female	122	38.7
	Total	315	
Age	Less than 20	38	12.1
	20-30	89	28.3
	31-40	67	21.3
	41-50	55	17.5
	Older than 50	66	21.0
Marital status	Married	211	67.0
	Unmarried	104	33.0
Education level	High school	24	7.6
	Bachelor's	140	44.4
	Master's	132	41.9
	Others	19	6.0
Profession	Student	75	23.8
	Self-employed	12	3.8
	Government job	110	34.9
	Private job	101	32.1
	Others	17	5.4
Monthly income	No income	54	17.1
	Less than 10,000	27	8.6
	10,000-20,000	29	9.2
	20,001-30,000	31	9.8
	30,001-40,000	32	10.2
	40,001-50,000	55	17.5
	More than 50,000	87	27.6

Table-2: Respondents demographic profile

<b>Customers perception about internet banking</b>			
	<b>Scale</b>	<b>Frequency</b>	<b>Percent (%)</b>
1.  Learning and using internet banking is easy	SD	2	1.5
	D	8	5.9
	N	6	4.4
	A	68	50.4
	SA	51	37.8
2.  Internet banking is well-suited for my banking requirements	SD	1	.7
	D	2	1.5
	N	13	9.6
	A	89	65.9
	SA	30	22.2
3.  Internet banking facilities are familiar	SD	0	0
	D	5	3.7
	N	19	14.1
	A	82	60.7
	SA	29	21.5
4. Navigation and procedure of internet banking is simple	SD	4	3.0
	D	10	7.4
	N	17	12.6
	A	79	58.5
	SA	25	18.5
5.  Internet banking websites are harmless and trustworthy	SD	16	11.9
	D	55	40.7
	N	42	31.1
	A	19	14.1

	SA	3	2.2
6. Internet banking possesses its commitments and promises	SD	1	.7
	D	7	5.2
	N	39	28.9
	A	63	46.7
	SA	25	18.5
7. Internet banking generates feeling of individualization.	SD	3	2.2
	D	6	4.4
	N	29	21.5
	A	73	54.1
	SA	24	17.8
8. Transactions become easy through internet banking	SD	1	.7
	D	1	.7
	N	12	8.9
	A	95	70.4
	SA	26	19.3
9. Want to continue with internet banking as I am satisfied with facility provided by my bank	SD	2	1.5
	D	2	1.5
	N	8	5.9
	A	88	65.2
	SA	35	25.9
10. My family members & colleagues use internet banking	SD	0	0
	D	7	5.2
	N	27	20.0
	A	84	62.2
	SA	17	12.6

Table-3: Customers perception about internet banking

Amongst 315 respondents participated in survey 38.7% were female and 61.3% were male. Respondents were generally from age group 20-30 (28.3%) followed by 31-40 (21.3%), older



than 50 (21.0%), 41-50 (17.5%) and less than 20 (12.1%). Most of the respondents were married (67.0%). The percentage of respondents were belong as graduate (44.4%) followed by post graduate (41.9%), others (6%) and high school (7.6%). Profession wise percentage of respondents were as 34.9% were in government job, 32.1% were in private job, 23.8% were students, 5.4% were in other type of job and 3.8% were self-employed. Monthly income percentage of respondents were as, more than 50, 000 (27.6%) followed by 40,001-50,000 (17.5%), 30,001-40,000 (10.2%), 20,001-30,000 (9.8%), 10,000-20,000 (9.2%), less than 10,000 (8.6%) and no income (17.1%) (Table 2).

Questionnaire contain 11 questions belongs to respondents response about internet banking (Table-3). The finding from questionnaire response of customers are as following:

50.4% internet banking customers respond they were agree that learning and using internet banking is easy whereas others respond as 37.8% strongly agree, 5.9% disagree, 4.4% neither agree nor disagree and 1.5% strongly disagree. The response indicate that customers have perception that learning and using internet banking is easy.

67.9% customers agree and feel that internet banking is well-suited for their banking requirements and others respond as 22.2 % strongly agree, 9.6% neither agree nor disagree, 1.5% disagree and .7% strongly disagree.

60.7% agree that internet banking facilities are familiar whereas others respond as 21.5% strongly agree, 14.1% neither agree nor disagree and 3.7% disagree. The response indicate that customers were familiar with internet banking facilities and not having any issue related to that.

58.5% customers agree that navigation and procedure internet banking is simple whereas others respond as 18.5% strongly agree, 12.6% neither agree nor disagree, 7.4% disagree and 3.0% strongly disagree.

40.7% customers respond that internet banking websites are harmless and trustworthy whereas others respond as 31.1% neither agree nor disagree, 14.1% agree, 11.9% strongly disagree and 2.2 for strongly agree. Majority respondents feel websites of internet banking is somehow harmful and not trustworthy followed by percentage of respondents who were in dilemma to give answer.

46.7% customers agree that internet banking possesses its commitments and promises whereas others respond as 28.9% neither agree nor disagree, 18.5% strongly agree, 5.2% disagree and .7% strongly disagree.

54.2% customers feel that use of internet banking generate feeling of individualization where other respond as 21.5% neither agree nor disagree, 17.8% strongly agree, 4.4% disagree and 2.2% strongly disagree.

70.4% customers agree that transactions become easy through internet banking while others respond as 19.3% strongly agree, 8.9% neither agree nor disagree, .7% disagree and .7% strongly disagree.

88% customers agree that they want to continue with internet banking as they were satisfied with facilities provided by their bank where as others reacts as 35% strongly agree, 8% neither agree nor disagree, 2% disagree and 2% strongly disagree.

62.2% customers agree that their family members and colleagues use internet banking whereas others respond as 20.0% neither agree nor disagree, 12.6% strongly agree, 5.2% disagree.

### Conclusion:

Outcomes of this study indicate that majority of the customers worried for safety and according to them websites of internet banking are somehow not trustworthy. Whereas customers react internet banking as convenient, easy, cost & time saving service of bank. They were satisfied with facilities provided by bank and feel freedom to do banking individually anytime anywhere. They also respond that internet banking fulfill their banking needs almost. Overall reflection of this study is safety and trust is one of the most important area on that bank should focus and work more. There is vast scope of research to discover issues indicated in this paper. These facts and data would be advantageous for banks to focus concerned area indicated in the study. The study will be useful for researchers of concerned topic to explore various factors associated to adoption of internet banking.

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