
Customer Resistance towards Internet Banking Among the Literates: An Empirical Study With Reference To Rayalaseema Region

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Abstract: Internet banking is emerged as a part of technological development in the financial sector, which is introduced in almost all the banks in all the countries. Much more literature is available, which explain the influence and adoption of IB among the customers. But still some of the customers prefer traditional banking than internet banking. The present study is undertaken to determine the reasons or views of customers who resist innovation (internet banking) and their intention to resist. The respondents are taken from the Rayalaseema region, who are the customers of various banks and educated. Principal component method of Factor analysis is applied for data analysis and it is found that many of the customers does not have complete knowledge about the usage and various services offered by the internet banking, risk and security concerns are resisting them to adopt internet banking but they are preferring to adopt in future. Thus, the bankers have to improve the awareness on internet banking to encourage the customers.

Index Terms: Internet banking, consumer resistance, adoption, innovation.

1. INTRODUCTION:

Technological changes in the world have influenced every part of the business. E-banking has been emerged as a development of technology in the financial/ banking sector, which has opened wide range of opportunities to the banking industry. E-banking is one where the banking transactions can be done through the electronic devices. It includes ATM, Smart card, Tele-banking, EFT, EBT, internet banking, mobile banking etc. Internet banking is introduced in the early 1980's with slow acceptance by the customers.

Internet Banking refers to systems that enable bank customers to get access to their accounts and general information on bank products and services through the use of bank's website, without the intervention or inconvenience of sending letters, faxes, original signatures and telephone confirmations (Henry, 2000 cited in

Dube et. al., 2009). Pikkarainen et al., (2004) defines Internet Banking as an —Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments|. Thus Internet Banking is the use of internet by bank customers for transacting their banking transactions. It provides additional features including traditional banking services. The services of internet banking includes the account information, online fund transfer, bill payments, online shopping, request and intimation (fixed deposits, issue of cheque book, issue of ATM pin etc.) Demat account share trading, etc.

1.1 FACTORS AFFECTING THE INTERNET BANKING ADOPTION:

Adoption can be defined as “the acceptance and continued use of a product, service or idea.” The critical question is whether customers will accept the electronic form of receiving information and performing transactions. Many people has conducted research to determine the various factors that are influencing the customers to adopt new technology/ internet banking. These factors include awareness, knowledge of new development i.e., computer/internet knowledge, accessibility, security concerns, risk, ease of use, cost concern, traditional prospective, psychological factors etc., Because of these factors many of the development of internet banking is very slow in many of the semi-urban and urban areas. Online with Wallis (1997) whose report states that new technology adoption by the majority of the customers depends mainly on following factors.

1.1.1 Awareness

According to Rogers and Shoemaker (1971), consumers go through “a series of process in knowledge, conviction, decision and confirmation” before they are ready to adopt a new product or service. The adoption or rejection of an innovation begins when “the consumer becomes aware of the innovation” (Rogers and Shoemaker, 1971). Howard and Moore (1982) emphasized that adoption “consumers must become aware of new brand.” Lack of awareness is the most important

factor that negatively affects Internet banking adoption (Sathye, 1999). In this same context that if the average consumers not adopting Internet banking services due to they unawareness of the availability of such a service and /or benefits it offers.

1.1.2 Ease of Use

Cooper (1997) identifies “ease of use” as one of the three important characteristics from customer’s perspective for adoption of innovative service. Dover (1998) and Daniel (1999) studies in USA and UK respectively found that ease of use as one of the factors for customer acceptance internet banking. A study conducted by a company called Cyber Dialogue has revealed that as many as 3.1 million USA adults have discontinued their use of online banking because they found the service too complicated or were dissatisfied with the level of customer service. Katz and Aspden (1997), Walis (1997) and Mols (2000) suggested that it is crucial for the Internet to be easy to use to increase the adoption rate Internet banking. Scarbrough and Corbett (1992) identified the understanding of consumers as an important element for the diffusion of innovation technology. For successful implementation of Internet banking, banks must ensure that the services are simple, easy and of sufficiently high quality to ensure customer satisfaction in order to maintain online customers.

1.1.3 Security

Security is one of the very important factors in determining the decision of consumers to use Internet banking. In a study ABF (1997) found that security concerns are keeping both consumers and bankers away from Internet banking. The Walls report (1997) also reported that unless security is improved, more households would be willing to conduct their transactions over the Internet. O’Connel (1997) conducted study in Australia found that security concerns were discovered as the main cause for the slow growth of Internet banking in the country. Polatoglu and Ekin (2001) established risk in terms of financial, physical and social characteristics. In USA, Thorton Consulting (1996) which conducted a survey focusing on banks concluded that 67 percent of US banks feel that “security concerns” is the major barriers for Internet banking. The same results obtained from the study of Booz et al. (1997), reveals that security concern among customers was the top-ranking obstacle for non-adoption of Internet banking in Latin America.

1.1.4 Cost

Price/costs is one of the single most important factor that influences the consumer adoption of innovation. Suganthy et al (2001) found that cost as a characteristics of Internet banking. Two types of costs are involved in the Internet banking, i.e. normal costs associated with Internet activities and

second is the bank charge and cost (Sathye, 1999). If consumers are to use new technologies, the technologies must be reasonably priced relative to alternatives (Willis Report, 1997). Otherwise, the acceptance of the new technology may not be viable from the standpoint of the consumer. Virtual Society Project researcher (Buzz, 2000), point out that millions of users are now turning their backs on the Internet due to its limitations and high access charges.

1.1.5 Reluctance to change

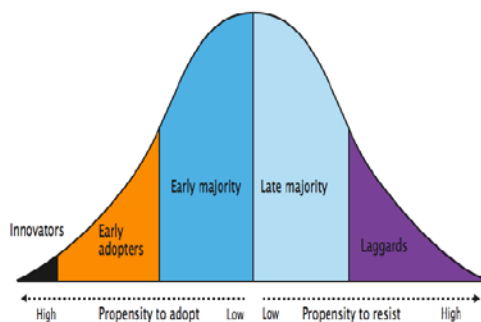
Quinn and Mueller (1982) found that human beings try to resist change, especially towards technological innovations. According to Daniel (1999) also stated that there is a high level of customer inertia in changing their established banking arrangements. Sathye (1999) emphasized that customers, particularly the senior citizens, prefer personal interaction and that they have technology phobia. Bank customers till patronize bank branches and they remain to value personal interactions (Guru et al., 2000).

1.1.6 Accessibility

Finally, availability of access to computers/Internet is a prerequisite for adoption of Internet banking (Sathye, 1999). The more widespread the access to computer/Internet the greater the possibility of use of Internet banking adoption. O, Connell (1996) study found that lack of access to computers as one of the reason for slow adoption of Internet banking. Daniel (1999) study in UK reveals that lack of customer access to suitable PCs as the main reason for low usage of electronic banking. In the same view Ramsay and Smith (1999) found that accessibility as one of the main reasons for non-adoption of Internet banking.

1.2 ADOPTION OF INNOVATION:

Philips Kotler, Keller and Kevin Lane (2009) in their book Marketing Management have explained the tendency of customers towards innovation. Based on the adoptability customers are of five types: innovators, early adopters, early majority, late majority and laggards. Among them the innovators are waiting for the innovation to test and adopt whereas the laggards are traditional bounded and more conscious.



2. LITERATURE REVIEW:

Literature review explains about the previous studies done by the various researchers on internet banking. Some of the available literature on internet banking is:

According to **Roger's (1983)** Innovation Diffusion Theory (IDT), innovation adoption is a process of uncertainty reduction. Based on three decades of innovation study, five key attributes affecting the adoption of any innovation were suggested. They are relative advantage, compatibility, trialability, observability and complexity. Among them the first four positively influencing whereas the last attribute is negatively of influencing the adoption of innovation.

Taylor and Todd (1995) proposed the Decomposed Theory of Planned Behaviour (DTPB), which combines aspects of the TPB with aspects of IDT. Taylor and Todd decomposed the attitude into perceived usefulness, ease of use and compatibility and Subjective norm is decomposed into peer influences and superior influences, and perceived behavioural control is decomposed into self-efficacy, technology and resources.

Suh and Han (2002) investigated the effect of trust on customers' acceptance of IB in Korea by incorporating trust into the TAM model. The results of statistical analysis using structural Equation Modeling indicated that trust is an important determinant of intention to use IB. Trust, perceived usefulness and perceived ease of use were significant determinants of attitude. Attitude and perceived usefulness had significant effect on the intention. Finally, intention had significant effect on the actual usage.

Milind (1999) quantified the factors affecting the adoption of IB by Australian consumers. Security concerns and lack of awareness about IB and its benefits stand out as the major obstacles to adoption of IB. The other reasons for non-adoption are difficulty to use, unreasonable price, resistance to change, lack of access to computers/ internet.

Laukkanen, P., Sinkkonen, S. & Laukkanen, T.(2008) the purpose of this paper is to further the understanding of innovation resistance by dividing internet banking non-adopters into three groups based on their intentions to use the innovation. Thereafter, the aim is to identify how the resistance differs in these customer groups. This study identifies three groups of internet banking non-adopters, namely postpones, opponents and rejecters. The data were collected by conducting an extensive postal survey among the retail banking customers in Finland who had not adopted internet banking. The measurement development was based on consumer resistance theory and the earlier literature on internet banking. Principal component analysis was used to analyze the statistical differences in resistance to internet banking between the three groups. Significant differences were identified between the groups explored. The resistance of the rejecters is much more intense and diverse than that of the opponents, while postpones show only slight resistance. The results also indicate that psychological barriers are even higher determinants of resistance than usage and value, which are constructs related to ease-of-use and usefulness determining acceptance in the traditional technology acceptance model. Moreover, the findings highlight the role of self-efficacy in the bank customers' risk perceptions to internet banking. This study provides further understanding of what inhibits internet banking adoption by comparing three non-adopter groups with respect to their resistance to internet banking. It also has implications for management in overcoming non-adopters' resistance to the innovation postpones, opponents and rejecters.

Ajimon and Gireesh (2011b) Identified the factors contributing to customer resistance to the use of IB through extensive literature review. The inhibiting factors for the adoption of IB are mainly classified into functional and psychological barriers. The paper concluded the remark that the potential for IB in India is immense and therefore banks in India should concentrate on increasing the use of internet for delivering banking services at low cost to customers.

3. STATEMENT OF THE PROBLEM:

The diffusion of internet banking also influenced by the demographical factors that include age, gender, occupation, income, educational levels, usage of smart phones and accessing internet etc., But in an analysis conducted at Rayalaseema Region it is found that many of the bank customers who are well educated are not preferring to use internet banking. Thus the present study is undertaken to determine the

reasons that are resisting the customers to use internet banking in the Rayalaseema Region.

4. OBJECTIVES OF THE STUDY:

Internet banking offers its own benefits and challenges to both the customers and organizations. The study has been undertaken to determine:

- The adoptability of customers towards innovation
- The factors that are resisting the customers to adopt internet banking
- The intention/ behaviour of customers towards the use of internet banking

5. LIMITATIONS OF THE STUDY:

The study is also conducted under certain limitations such as, the sample has been taken only from three districts of Rayalaseema Region and the respondents are drawn by using random sampling. Thus, the data collected may not perfectly represent the entire population. The data is collected through structured questionnaire; it may restrict the opinion of the customers.

6. DATA ANALYSIS AND INTERPRETATION:

The survey is conducted on the individuals; educated having various beliefs belongs to the three districts of Rayalaseema Region i.e., Anantapur, Kurnool and Chittoor. Questionnaire is used as the research instrument, which contains 3 sections: demographical profile of customers, the usage and frequency of using internet and major aspects of internet banking. Five points Likert scale is used ranging from 1- strongly agree to 5- strongly disagree. A sample of 300 customers is drawn by using convenience sampling technique. The questionnaire is distributed through e-mail to all the respondents and 246 filled questionnaires are received. Thus the response rate is 82 percent. Principal Component Method of Factor Analysis with Varimax rotation is employed to analyse the collected data. For the present data the Kaiser-Mayer-Olkin measure of sampling adequacy is .821, which is recommended as good by Kaiser (1974). And the Bartlett’s test is highly significant ($p < 0.001$) and therefore factor analysis is appropriate. The average communality after extraction is 0.796, which is greater than 0.7 and the number of variables considered are 22, recommended by Kaiser’s criterion.

CHARACTERISTICS OF THE SAMPLE:

		Respondents	Percentage
Age	18-25 years	68	27
	26-35 years	111	37
	36-45 Years	79	26
	>45 Years	42	14
Gender	Male	192	64
	Female	108	46
Area	Anantapur	123	41
	Chittoor	64	22
	Kurnool	113	37
Bank Users	SBI	55	18
	ICICI	44	15
	AXIS	65	22
	Andhra Bank	83	28
	Syndicate Bank	52	17
Education	SSC	42	14
	Intermediate	65	22
	UG	99	33
	PG	74	25
	PhD	20	6
Income levels	<15,000	143	48
	15,000-25,000	95	32
	25,001-35,000	37	12
	>35,000	25	8
frequency of internet	One in a month	49	16
	Twice in a month	85	29
	Frequently	166	55
Purpose of using internet	Official purpose	187	62
	Browsing	86	29
	Shopping	27	9
Knowledge about internet banking services	Well known	38	13
	Partial information	144	48
	Just known	63	21
	Unknown	55	18
Prefer to adopt IB	In a year	98	33
	May be in future	172	57
	Never	30	10

Barriers to adopt IB identified as a result of factor analysis

Factor & its load	Elements of factor
Accessibility 4.802	Internet banking is easy to use (0.890)
	Quick transactions can be done using IB (0.856)
	IB is progressing with time (0.888)
	IB transactions can be trusted (0.861)
	Bank account can be controlled easy by using IB (0.781)
	Activation of IB can be easy (0.507)
	It is convenient to use IB from anywhere (0.907)
Connectivity 0.767	Usage of internet banking depends on internet availability (0.884)
	Electricity shut down does not affect the usage of IB (-0.741)
	It is easy to connect with IB (0.624)
Risk 3.945	IB won't provide any physical evidence (0.801)
	IB can be accessed illegally (0.898)
	IB can be easily tapped by others (0.664)
	Adoption of new technology includes more complications (0.815)
Cost 2.316	Website crashing will creates a problem while using IB (0.767)
	Activation of internet banking is more expensive (0.782)
	IB has more hidden cost (0.650)
Psychological barriers 3.211	Maintenance charges of IB are very high (0.884)
	IB reduces the direct interaction with employees (0.836)
	Physical transactions will be more secured than transactions through IB (0.812)
	I have positive image towards internet banking (0.895)
	The adoption of IB is influenced by others (0.665)

Accessibility: This factor is in the first place with the factor load of 4.802. It is compressed with seven factors namely: easy to use (0.890), Quick transactions (0.856), progress (0.888), trust on

transactions (0.861), easy activation (0.507), convenient to access from anywhere (0.907). This factor indicates that the customers do not clear idea about the various features of internet banking services.

Connectivity: This factor represents the barriers to connect and use IB services which is least loaded as 0.767. The elements of this factor are internet availability (0.884), electricity shut down (0.741) and easy to connect (0.624). It indicates that the customers are confident to connect with internet banking.

Risk: Risk is the second resisting factor loaded as 3.945, compressed of physical evidence (0.801), risk of illegal accessing (0.898), tapping (0.664), complications in new technology (0.815), problem of website crashing (0.767). This factor shows the customers perception towards the risk involved with the internet banking services because of which they are preferring traditional banking.

Cost: It is identified as the fourth barrier with factor load of 2.316 and it is composed of the various types of cost such as cost of activation (0.782), hidden cost (0.650), and cost of maintenance (0.884). This factor indicates that the customers are feeling that the IB will increase the unnecessary expenses.

Psychological barriers: This factor is loaded as 3.211. The sub factors of this factor are interaction with other employees (0.836), physical transactions (0.812), positive image (0.895), and influence of others (0.665). It concludes that the psychological barriers are making the customers to prefer traditional banking than internet banking.

7. CONCLUSION:

The results show that the customers are well educated, has some knowledge about the internet usage and need of various banking services. But still they are not ready to adopt internet banking services because of the some of the reasons such as: lack of proper knowledge about the various services, benefits and accessing of internet banking, and there negative perception towards internet banking regarding the security & risk during the process, cost of internet banking services, and some of their psychological factors like influence of others and preference to have face-to-face contact with employees.

Internet banking services are providing more benefits than the traditional banking. As the customers have knowledge about the internet and they are willing to adopt the internet banking in future, it is the responsibility of the bankers to

create awareness about internet banking and to provide some training to the customers to encourage them to adopt.

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