

Executive Summary of the Minor Project

Conducted by

Dr.Vimal George Kurian, Assistant Professor, CMS College, Kottayam

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A CRITICAL EVALUATION OF THE USAGE OF E-BANKING SERVICES IN RURAL KERALA

The Banking industry has been witnessing an unprecedented growth in the last few decades. This paradigm shift can be well attributed to the use of Information Technology in banking operations. Electronic Banking has since, without any doubt, become one of the core components of the banking industry. Even though the changeover from traditional banking to E-banking was not an arbitrary decision, but the fallout from the global banking scenario, and the fruits of Liberalization, Privatization and Globalization banks, were initially very skeptical about it. When most of the services offered uses technology, the customer also has the free will to opt for it. The fact remains that, though most of the services are available in the E-Banking channels, the customers generally use only a few services, ignoring or being skeptical about the rest. As it is clear that the survival of each bank depends on how well their customers respond to E-Banking services, banks need to find out why the acceptance of E-Banking services are skewed and how it can be improved. Hence, this study focuses on the reasons for patronage of E-Banking services among the customers.

Rationale of the study

The Decomposed Theory of Planned Behaviour postulates that the intention to adopt a banking service is determined by the three constructs of (1) Attitude (2) Subjective norms (3) Perceived behavioural control. Attitude stands for a person's perception towards E-Banking services while subjective norms explain the influence that society imposes on usage and perceived behavioural control reflects on the belief on availability of opportunities and resources to adopt E-Banking services. The three constructs of attitude, subjective norms and perceived behavioural control, are further divided into related variables to give depth to the study.

For the construct of attitude, the related variables taken into account are:

- Relative advantage which stands for the advantage that a customer derives while using E- Banking services.
- Trialability which expresses the customer's interest in using services or exploring new services.
- Compatibility which explains whether the customer has the technical skills for operating a service.
- Perceived complexity sheds light on how less complex i.e. how simple the services appear to the customer.
- Perceived Risk which elucidates how customers perceive risk while using E-Banking services.

For the construct of subjective norms, it measures how a customer's decision is influenced by his friends, family and colleagues. This construct is not further decomposed to other variables.

For the construct of Perceived Behavioural Control, the further decomposed variables are:

- Self-efficacy which explains how independent the customer is, in using the services.
- Technical support which measures how development in technology has contributed to building confidence in a customer.
- Government and RBI Support which explains whether the customer believes that measures taken by Government and RBI are contributing in towards greater E-Banking patronage.

Apart from the constructs which are derived from the DTPB, it was noticed during literature review that, two other constructs of Security & Trust and Customer Awareness has a significant impact on usage of E-Banking.

- Security and Trust imply the concerns that customers have about the security issues and their confidence in the banking infrastructure
- Customer Awareness relates to how well the customers are informed, on operating E-Banking services in the most secure manner.

Security & Trust and Customer awareness remain without further decomposition i.e these constructs are not divided into other variables

Scope of the study

The study encompasses most of the variables that measure the intention to use or not to use a particular E-Banking service. It covers the awareness, satisfaction, and frequency of usage as well as the constructs of the Decomposed Theory of Planned Behaviour. The study covers respondents of private, public and government enterprises, covering varied income levels, educational qualifications, different age groups, both genders and customers of private, public and foreign banks. It covers all types of customers, people using basic E-Banking services to customers availing the most sophisticated services. The study covers respondents from rural Kerala, mostly from the rural towns of Kottayam and Thiruvananthapuram.

Objectives of the study

The following are the objectives framed for the study:

1. To study the socio economic profile of customers of E-Banking services.
2. To determine the most commonly used E-Banking services.
3. To study the level of satisfaction of the various E-Banking services availed.
4. To examine whether the Decomposed Theory of Planned Behaviour is applicable to E-Banking services.
5. To measure the influence of demographic variables of customers on the satisfaction derived out of usage of E-Banking services

16 hypotheses have been formulate for this study of which 11 have been formulated relating to the Decomposed Theory of Planned Behaviour and 5 related to demographic variable and the satisfaction customers derive out of using E-Banking services.

Major findings

It was found that the most important reason according to customers using E-Banking services was the Ownership of the bank viz whether the bank was Public/Private/Foreign etc.

It was also determined that Account information and balance enquiry, transaction summary and mini statement, online ticket booking remained the most commonly used E-Banking services.

It was also found that the Decomposed Theory of Planned Behaviour can be used to determine usage of E-Banking services in rural Kerala.

Of the constructs of the Decomposed Theory of Planned Behaviour there is significant impact of Relative advantage, Compatibility, Self-efficacy, Trialability, Perceived complexity, Customer awareness, Perceived risk, RBI and government, Security and trust, Technology support, whereas Subjective norms do not have a significant impact.

Of the demographic variables of gender, age, education, and income has not resulted in a significant difference in the satisfaction that E-Banking customers have derived out of it. Profession of the customer has a significant impact on satisfaction derived out of the usage of E-Banking services.