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Customer Reluctance to Use Banking Technologies

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ABSTRACT: *Electronic Banking incorporates a multitude of platforms such as internet banking, automated teller services and mobile phone banking to deliver banking products to the customer. Not all customers seem to be fascinated by the arrival of banking technologies. The proposed study is an attempt to probe into the reasons for customer reluctance to use banking technologies.*
KEY WORDS: *Electronic Banking, Automatic Teller Machine, Internet Banking, Mobile Banking.*

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I. INTRODUCTION

Electronic Banking refers to the automated delivery of possible banking solutions to the customer through electronic communication channels. Electronic Banking incorporates systems that permit individual customers to access their accounts, transact with speed and obtain current and updated information on latest financial products and services through public or private networks. It accommodates a variety of platforms such as internet banking, telephonic and television based banking, automated teller services, mobile phone banking as well as personal computer based and offline banking services. Since many of these technology services have become popular in our country, customers now have ample opportunities to enjoy the benefits offered by advanced electronics and information technologies. However, a good number of customers are yet to warm up to digital methods of banking transactions. Resistance to technology use and adoption has in fact become a subject matter for serious discussions among marketers and organisations. With unmatched pervasiveness of cash than digital methods of payment and lives centred on cash purchase along with the perceived risks in digital payments, there are customers who are still reluctant to switch to these methods. Again, cash is an immediate transfer of value while digital payments involve more steps than cash. To quote further, there is a perception among many countrymen that every transaction is being tracked.

II. CONCEPTUAL MODEL

The theory of 'customer resistance to innovation' proposed by Ram and Sheth in 1989 identified two core constructs for customer resistance to innovation as functional and psychological barriers. Usage barrier, value barrier and risk barrier were categorised as functional barriers where as tradition and image barriers were considered as psychological barriers. Usage barrier comes into play when an innovation is not compatible with existing workflows, practices or habits. Value barrier refers to the performance and monetary value of an innovation in comparison to its substitutes. Risk barrier is closely associated with degree of risks attached to an innovation. Tradition and image barriers are often formed through conflicts with customers' prior beliefs and values than actual usage of the new service. As Ram and Sheth argue, if an innovation does not offer significantly superior performance than the existing alternatives, customers will not find it meaningful to change their existing behaviour. Parasuraman and Colby (2001) have classified technology users into five distinct segments such as explorers, pioneers, skeptics, paranoids and laggards. Explorers represent the first wave of technology users. Pioneers and Explorers share optimism and innovative beliefs but are more practical about difficulties and challenges. Skeptics tend to be dispassionate about technology and need to be convinced about its benefits. Paranoids may find technology more interesting, but are more concerned about risks and exhibit high degrees of discomfort and insecurity. Laggards are typically the last group to adopt new technology based products or services and rank high on inhibitor factors than other segments.

One can find different conceptual models for customer non-use of banking technologies in related literature. There are similarities and differences between these models. The conceptual model followed here considers aspects such as lack of human interaction, customer inertia, risks and fears associated with use of technology, lack of knowledge and regional language display options, hidden costs and charges levied by the banks, inaccessibility due to network problems and lack of perceived need on the part of the customer as some of the reasons for customer non-use of banking technologies. The proposed conceptual model is shown in Figure 1.

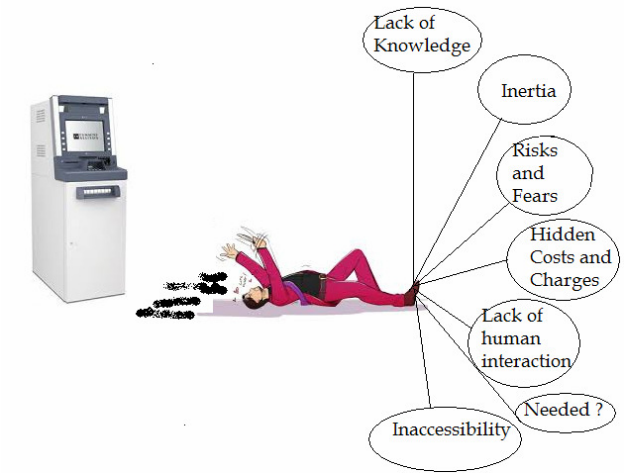

Figure 1 : Conceptual Model for Customer Reluctance to Banking Technologies

III. OBJECTIVE OF THE STUDY

The proposed study attempts to identify the reluctance to use banking technologies among respondents. The study also attempts to figure out the reasons for non-use of banking technologies among respondents. The impact of chosen parameters on respondent behaviour was confirmed through statistical analysis and hypothesis testing.

IV. RESEARCH METHODOLOGY

Secondary information was obtained from literature surveys through online and offline search for articles and research papers published in various web portals, magazines and journals. For primary information, questionnaire in hard copy was prepared and distributed to the sample population, and a survey was conducted among respondents in an autonomous professional institution near Kochi, Kerala. The questionnaire helped gather data from a sample size of 172 respondents on proposed variables. The sampling methodology adopted was convenience sampling.

V. CONTRIBUTIONS FROM THE STUDY

The study has attempted to identify the reluctance to use banking technologies among a selected group of respondents. The study has also attempted to expose the reasons for such respondent behaviour.

VI. LITERATURE REVIEW

Secondary information was obtained from articles and research papers available both online and offline. Several researchers have formulated conceptual and theoretical frameworks for customer reluctance to use and adopt banking technologies, as mentioned in many of their works. The parameters mentioned in some of the literary works were used for the preparation of a questionnaire.

Karimzadeh et. al.[3] have found that legal and security, socio-cultural as well as some management and banking issues challenge the development of e-banking in our country. Authors rank low levels of awareness on new technologies among respondents and unsuitable software as the highest and lowest obstacles respectively for the development of e-banking. Dr. Lekshmi Bhai[4] in her work has raised the opinion that communication across an open and thus insecure channel such as internet might not be the best base for bank – client relationships since trust might be partially lost. She further raises the popular customer belief that using online banking services makes them vulnerable to identity thefts. Her work concludes with the statement that there is need to have more innovative solutions so that challenges can be overcome and opportunities can be availed of efficiently by our banks. Farooqui et. al.[5] in their work discusses the challenges and hurdles faced by E-Banking in our country. Edwin Aghu[6] in his work considers resistance to innovation as the customer preference for the existing product. He further asserts that customers in developed countries see goods from developing countries as inferior while customers in developing countries consider goods from developed countries as superior. As Aghu observes, there are customers in developing countries who consider buying foreign goods as unpatriotic and a disservice to the national economy. Umrez et. al.[7] in their work have attempted to explore the reasons for resistance to internet banking among a group of respondents in the Rayalaseema region. The findings are that there is lack of complete knowledge about the usage and kind of services provided by the banks among the respondents. Costs, risks and security concerns have further prompted them to resist adoption of internet banking services. Ajimon George et. al.[8] in their work have attempted to

analyse the functional and psychological barriers to customer adoption of internet banking services in our country. The authors opine that resistance to internet banking retards its adoption and forces banks to continue to provide existing options in customer services so that they are unable to harness the full potential of technological innovations. Kapuge[9] in his work has attempted to explore the factors that govern customer resistance to adopt mobile banking services provided by public sector banks in Sri Lanka. His study revealed risk, image, tradition and usage barriers as reasons for customer resistance to the adoption of mobile banking technology.

VII. RESPONDENT DEMOGRAPHICS

As many as 172 valid responses representing a target population of 1230 were received. 74 male respondents and 98 female respondents participated in the survey as shown in Figure 2. Out of 172 responses received, 152 were earning income below Rs. 25,000/- 6 were earning between Rs. 25,000/- and Rs. 40,000/- and 14 were earning income above Rs. 40,000/- as shown in Figure 2.

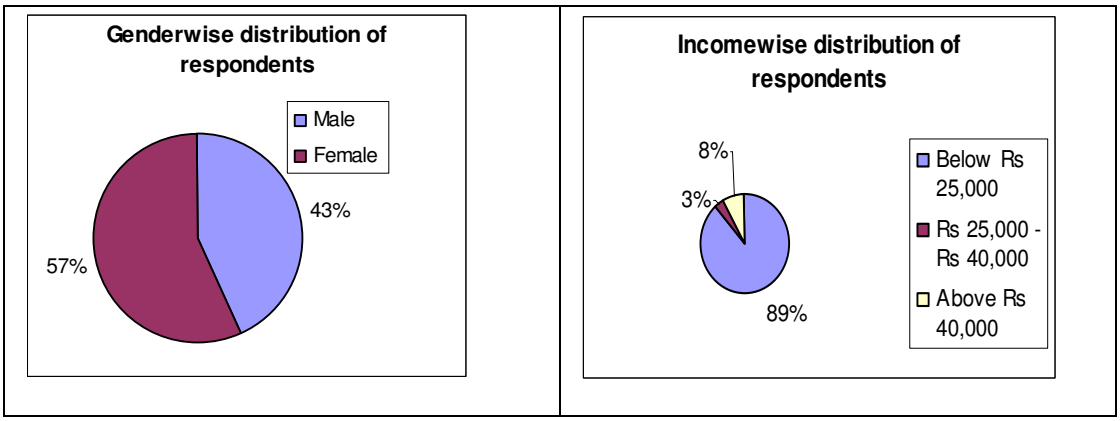

Figure 2 : Gender wise and Income wise distribution of respondents

111 of the respondents were undergraduates while 61 of the respondents had qualifications of graduation and above, as shown in Figure 3. 117 of the respondents hold their bank accounts in Public Sector Banks alone including State Bank of India and other Public Sector Banks. 28 respondents hold their accounts in Private Sector Banks alone while 21 respondents hold their accounts in both Public Sector and Private Sector banks. 6 respondents declined to reveal information on where they hold their bank accounts (see Figure 3).

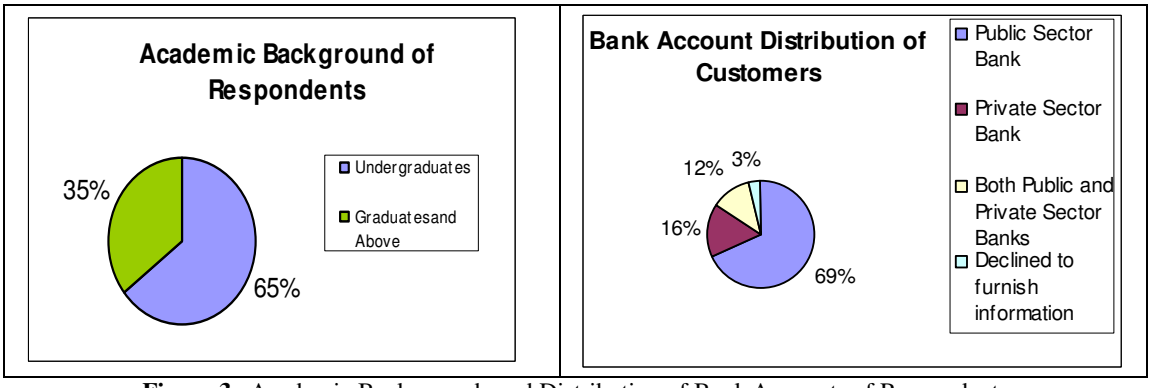

Figure 3 : Academic Backgrounds and Distribution of Bank Accounts of Respondents

VIII. RESULTS

Respondents quote parameters such as lack of human interaction, network issues, knowledge aspects, risks and hidden costs as reasons for their non-use or reluctance to use E-Banking technologies. As the mean value of 3.372 and a standard deviation of 0.992 indicate, there are respondents who personally prefer branch banking and human interaction. Further to the above, some respondents are not satisfied with complaint management of E- Banking services, as the mean value of 3.291 and a standard deviation of 0.772 reveals. A mean value of 3.14 indicates that there are respondents who believe that machine guidance is not as precise as personal branch banking. As the mean value of 3.669 points out, some respondents do not perceive the need for

use of E-Banking service since bank branch is closer to them and at a location convenient to them. Again there are respondents who prefer branch banking since the requirements of all financial services including that of depositing direct cash into their bank accounts are not met through E-Banking services, as indicated by the mean value of 3.477. Respondents also quote inaccessibility as one of the factors for their non-use of E-Banking services. This includes network problems, as the mean value of 3.413 projects, as well as non-availability of computing and internet facilities, as indicated by a mean value of 2.860. For some respondents, ATM facility is at an inconvenient location, as indicated by a mean value of 2.907. Risks and fears associated with identity and money thefts as well as loss of privacy haunt respondents, as indicated by the respective mean values in Table 1. Customer inertia and lack of technical knowledge do influence respondent use of E-Banking technologies to some extent. Some respondents were not hesitant to point out that no training is provided by the bank for using E-Banking services, as the mean value quotes. Service charges and hidden costs do negatively influence respondent use of E-Banking services, as reflected in the respective mean values. Again, a mean value of 3.508 confirms that respondents are aware of the financial burden on them to purchase access equipments such as personal computers, laptops or mobile phones to avail of E-Banking facilities. However as predicted, the prices of access equipments will fall further to reach common man. When present technological concerns related to user friendliness are resolved, existing technologies mature further and new technologies make their presence felt, E-Banking will be dearer to every customer.

Sl. No	Parameter	Particulars	Mean	Standard Deviation
1	Lack of human interaction	Personally prefers branch banking	3.372	0.992
		Complaint Management not satisfactory	3.291	0.778
		Machine Guidance not precise	3.14	0.926
2	No Perceived need	Branch is closer and at a convenient location	3.669	1.01
		Requirement of all financial services not met	3.477	0.895
3	Inaccessibility	Network Problems outweigh advantages	3.413	0.910
		No personal computing and internet facility	2.860	0.932
		ATM facility at a far/ inconvenient location	2.907	1.181
4	Risks and fears	Fear of money loss	3.529	1.073
		Fear of identity thefts and loss of password	3.593	0.99
		Fear of loss of privacy	3.442	1.077
5	Inertia	Not interested in experiencing new technologies	2.360	1.081
		Feels no special benefit in use of technologies	2.267	0.960
		Technical complexity and time consuming	2.453	1.136
6	Language and knowledge aspects	No regional language display options	2.837	1.158
		Lack of computer knowledge and internet usage	2.541	1.067
		Lack of interest to know about services and procedures	2.622	1.083
		No training provided by the bank	3.006	1.073
7	Cost Aspects	Hidden Costs	3.395	1.023
		Non agreeable Service Charges	3.360	0.904
		Investment required on purchase of equipments/software	3.058	0.903
		Fee for non usage and accidental wrong usage	3.32	1.041

Table 1: Statistical Parameters - Reasons for not using all offered E-banking services

Hypothesis Testing

One Tailed Hypothesis tests were conducted for a level of significance $\alpha = 0.05$ for the formulated set of null and alternate hypotheses statements. The value of $|Z_\alpha|$ for the level of significance of 0.05 was found to

be equal to 1.645 from standard statistical tables. The value of $Z_{\bar{x}}$ was computed using the standard expressions. The value of finite population multiplier was found to be 0.8609 for convenience sampling. The computed value of $Z_{\bar{x}}$ was compared with $Z_{-\alpha}$ to determine whether null hypothesis can be accepted or not. Out of 7 null hypothesis statements formulated, 5 were accepted and 2 were rejected after hypothesis tests. Results of hypothesis tests represent respondent concerns and fears towards the use of E-Banking services.

Hypothesis test reveals that lack of human interaction negatively influences customer use of E-Banking services. There are respondents who think that E-Banking is not really needed. Again, network inaccessibility as well as the risks and fears associated with technology including identity thefts negatively influence respondent use of banking technologies. Hypothesis tests also reveal that customer inertia and lack of knowledge and interest as well as absence of display options in regional languages do not significantly influence respondent use of banking technologies. However, service charge structures and hidden costs associated with technology usage were found to discourage respondent use of banking technologies.

Null Hypothesis $H_{Ø<\#>}$	**Statement**	**Accepted**	**Rejected**
$H_{Ø1}$	There is significant difference in the use of E-Banking Technologies due to lack of human interaction.	X	
$H_{Ø2}$	There is no significant difference in the perception of need for E-Banking services.	X	
$H_{Ø3}$	There is significant difference in the use of E-Banking services due to network inaccessibility.	X	
$H_{Ø4}$	There is significant difference in the use of E-Banking services on account of risks and fears associated with technologies.	X	
$H_{Ø5}$	There is significant difference in the use of E-Banking services on account of customer inertia.		X
$H_{Ø6}$	There is significant difference in the use of E-Banking services on account of limitations in regional language display options and lack of knowledge and interest of customers.		X
$H_{Ø7}$	There is significant difference in the use of E-Banking services on account of its cost and service charge structures and investment demands on the customer.	X	
Total #	7	5	2

Table 2 : Summary of Null Hypothesis Statements
(Level of Significance $\alpha = 0.05$)

IX. LIMITATIONS OF THE STUDY

Due to convenience sampling methodology adopted, the entire population of banking customers was not reflected in the study. The study focused mainly on customers within a locality including students in one environment. Customer preferences may exhibit deviances on a wider platform. The study however, can be extended to accommodate more categories of customers in more areas. A follow up study may also be planned in future to compare the new results with those obtained from this study. Generalisation of the findings to the whole population can then be made with more accuracy and acceptability.

X. CONCLUSIONS AND RECOMMENDATIONS

Core banking solutions have enabled banks to extend full benefits of ATM services, mobile and internet banking solutions to all the customers. Core banking solutions offer a package of benefits to customers on a round the clock basis from a single centralized location through all possible delivery channels. Such a centralized approach has made 'single roof' solution for all financial services a definite possibility. One might be tempted to quote the present customer inclination towards the use of ATM services when compared to other technology counterparts. The dynamic nature of technology and time may change customer preferences. Again, customers will be forced to review their preferences with changes in policies and regulations of the ruling elite, which became evident during the recent demonetization regime. Customers today have a multitude of offers, options and opportunities when choosing banking services and are rapidly evolving in their use of banking services and technologies. Changing customer preferences and behaviours indicate the need to introduce new strategies and latest technologies to attract customers and maintain their loyalty. It seems that customer behaviours change faster than lead times for new products and services. The question of how far technology enabled banking services has met the needs and expectations of the customers in a dynamic environment need frequent and timely investigations and revisions. The credibility of entire banking system will at stake if rapid changing customer preferences are not identified, customers are not sufficiently informed, their fears, resistances and complaints are not resolved as and when needed and real time solutions are not offered.

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