

# Usage of Internet in Banking Sector in India

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## Abstract:

Information Technology (IT) has a lot of influence on banking sector. The new methods of banking practices on account of IT ensure which service besides reducing cost in banking sector. Computerisation in banking had taken place all over the world in the past. The purpose of computerisation is to bring technology to counter and enable to employees to have information on their fingertips. Thus, the adoption of IT in banking has undergone several changes with the passage of time. Today, IT has become inseparable segment of banking organisations all over the world.

*Keywords:* Computer, Internet, Banking

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## INTRODUCTION

Banks are the most important participants of the financial system in India. The performance of public sector banks were deteriorating over the years due to lack of computerisation, poor customer service and excessive political intervention, thus, the reforms recommended by Narasimham committee were implemented then. These new generation private sector banks have started performing better than their counterparts in many dimensions such as innovative technology, excellent customer services etc. The impact of IT has started a new era of banking operations in India. With the application of IT in banks, the scope of conventional banking with manual operations has been reduced. The banking sector has undergone a lot of changes with innovative technologies, which made banks to take many important initiatives to serve their customers better. For the last two decades, the investments in technologies for automating of existing processes have been steadily increasing. Another important

advantage of having IT in banking was sharing the cost between customers and products, thus enabling the banks to have the desired impact on the overall cost base. With the help of advance technologies, it was made possible for banks to retain their customers by providing additional benefits and services. Thus, IT has enabled banks to save considerable amount of time and cost in performing their operations and also to serve their customers more efficiently and effectively. Commercial Banks in India have adopted various IT developments into their banking operations such as Core Banking, Electronic Clearing Services, Electronic Fund Transfer, Real Time Gross Settlement, Automated Teller Machine, Telephone Banking, Internet Banking and Mobile Banking etc. The impact of the Internet has been significant in both individual's social life and in the business world. With the proliferation of Information and Communication technologies (ICT) in general and Internet technology, in particular, one of the significant industries that

has reaped maximum benefits is financial services, especially banking sector. Banks and its customers have quickly understood the unique features and advantages of Internet banking in the developed countries in the late 1990s and early 2000. The penetration of Internet banking by the customers of developed nations were very high, enabled with the sufficient infrastructure and other favourable conditions available.

## OBJECTIVES OF THE STUDY

1. To know the factors that are most influential in affecting the bank customers' intentions to usage Internet Banking.
2. To make appropriate suggestions for the improvement of Internet banking services.

## METHODS, MATERIALS AND FINDINGS:

The data for this study was collected from both primary and secondary sources. The secondary data were collected from books, journals, magazines, publications, websites etc. Primary data was collected in this study through survey, by means of personally administered questionnaires, from the bank customers.

Bank customers in India have positive beliefs about usefulness (**performance expectancy**) of Internet Banking services, thus influencing their intentions to adopt these services. When bank customers perceive the Internet banking system to be less complex and easy to operate (**effort expectancy**) for getting the desired results, they are more likely to adopt it. The opinions of friends, relatives and bank staff (social influence) have significant impact on individuals' decision to use Internet banking services. The findings show that there is a positive relationship between **perceived security** and customer's intentions to use Internet banking services i.e. when customers perceive Internet banking services as completely secured as they have to send sensitive information through the Internet, it would be easier for them to adopt it. It was found that the two factors i.e. awareness and reputation, are also found to have significant (indirect) influence on behavioural

intention to use Internet banking services. The moderating effect of self-efficacy on various Internet banking beliefs was found to be positive and significant, which implies that customers' beliefs of Internet banking services would vary based on their knowledge and skills of using Internet for the purpose of performing banking transactions online, and have significant impact on their intentions to adopt this technology. The moderating effect of personal innovativeness on various Internet banking beliefs was found to be insignificant i.e. customers' beliefs of Internet banking services and its impact on behavioural intention to adopt Internet banking would not vary based on their personal innovativeness.

## SUGGESTIONS OF THE STUDY

Banks in India should design marketing communication strategies specifically targeting these different customer segments, thus, enabling them to understand the differences, based on their perceived beliefs and its impact on their intentions to use Internet banking services. The perceptions of bank customers have also been varying based on their Internet-related behaviour i.e. Internet usage experience, Knowledge of Internet, hours of Internet usage, and their level of personal innovativeness. The public sector banks should encourage and ensure that their customers are using the Internet banking for their banking transactions.

Banks should also provide videos or flash-based demos on 'how to use Internet banking services' in their websites, which could prove to be an effective driver of adoption among the prospective users.

It is suggested that marketers of banks in India should undertake certain measures to make Internet banking services as much as popular among their customers.

Commercial banks in India should motivate their customers to adopt this technology, by making the Internet banking website simple and easy to use for their transactions.

The web designers and technology specialists in Indian commercial banks should create and maintain Internet banking websites by considering the web quality characteristics such as easy

navigation, quick loading time, comfort in having access to the features etc. in order to provide the best experience to their customers.

## **CONCLUSIONS**

With the help of Internet banking, banks could provide better services to their customers. Through the results of this study, it is noted that Internet banking usage among the customers of public, private and foreign banks in India is still lesser and their perceptions on various beliefs of Internet banking services have varied based on their personal characteristics. The results allow bank's decision-makers to develop strategies that can increase the adoption of Internet banking services by the bank customers. Many banks in India should tune their marketing communication strategies to new technological platforms such as social media websites, for communicating the benefits of the Internet banking system and also for increasing its usage rate among the diverse customer segments.

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