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Consumer preference for housing loan between old and new generation commercial banks in Kanchipuram, India

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A B S T R A C T

Housing Finance plays a vital role as an engine of equitable economic growth through the reduction of poverty and prevents slum proliferation in economy. The demand for housing has increased rapidly day by day. The introduction of banking finance for housing purposes has come as a big boost not only to the customers, but also to the overall economy, since the construction sector is a labour intensive sector which directly provides employment to lakhs and lakhs of people, especially to the poor and marginalised section. It is also linked with other industries like cement, steel, blue metal, etc. Thus, when the construction sector flourishes, it also leads to the growth of the other sectors, apart from the growth in employment generation. However, there is considerable completion between the public sector and private sector banks in offering housing loan to the customers, since it is an important segment of loans for the banks, which can lend on long term basis. Thus, they offer different incentives and benefits to the customers to attract them and hence, some customers prefer the public sector banks, while some others prefer the private sector banks. This study makes an attempt to examine the reasons and the factors which are responsible for the differing preferences for taking housing loan between the old and new generation commercial banks.

Introduction

Online banking is also referred to as internet banking. Customers are able to use a secure website to conduct their financial business and transactions. These websites can be operated by a retail bank, virtual bank or credit union. More and more banks are becoming brick-to-click banks. These large national banks have a physical presence as well as an online banking site. Brick-to-click banks are distinguished from brick-and-mortar banks which may not offer online banking.

A leading concern of online banking is security. Most online banking sites use a PIN or personal identification number system to provide a higher level of security than a single password authentication. Though online banking has many advantages, there are also some reasons that customers prefer the more traditional brick and mortar bank. Registration on an online banking portal may require a trip to a physical location to sign a form or provide ID and upgrades or changes to the site can cause a seasoned user to acclimate to a now unfamiliar site.

Online banking

Online/internet banking has been viewed as an upgrading from previous electronic delivery systems to open new business opportunities for the banking industry. While Internet banking offers institutions a new distribution channel for augmenting competition in the global banking market, measuring the success of internet banking in terms of banking products and services is complicated, for example, it is claimed that banks generally have been neither helped nor harmed by an early commitment to the Internet as a delivery channel. However, Internet-only banking could still prove a viable business model.

Regulatory and supervisory concerns

Internet banking requires that the banks' internal systems to be linked with the systems in public domain. Further, the concept of conventional audit trails is not logically applicable to Internet banking. Internet Banking is susceptible to risks in the form of criminal activities, such as fraud, money laundering, tax evasion etc. Internet banking allows the banks as well as customers to operate with geographical boundaries thus creating a problem of exchange controls.. Evidences indicate that banks are facing loss of customer confidentiality, which may pose a reputation risk to banks and the banking system as a whole. However some banks have started educating customers through adequate disclosures of such risks.

Online banking in India

The financial products and services have become available over the Internet, which has thus become an important distribution channel for a number of banks. Banks boost technology investment spending strongly to address revenue, cost and competitiveness concerns.. A study on the Internet users, conducted by Internet and Mobile Association of India (IAMAI), found that about 23% of the online users prefer IB as the banking channel in India, second to ATM which is preferred by 53%. Out of the 6,365 Internet users sampled, 35% use online banking channels in India. This shows that a significant number of online users do not use IB, and hence there is a need to understand the reasons for not using it.. It also provided them the flexibility of withdrawing money—anytime, anywhere. [61]. In the study by IAMAI, it was found that the people are not doing financial transactions on the banks' Internet sites in India because of reasons such as security concerns (43%), preference for face-to-face transactions (39%), lack of knowledge about transferring online (22%), lack of user friendliness (10%), or lack of the facility in the current bank (2%).

Statement of the Problem

There are several major challenges and issues facing the online banking today. First and perhaps the most important is the security concern. Customers are certainly concerned of giving their bank account

number online or paying an invoice through internet. The challenge facing online banking industry and the e-business in general is the quality of delivery service – including both delivery speed (i.e., short advance time required in ordering) and delivery reliability (i.e., delivery of items/services on time), which caused many e-business failures in the earlier dot.com era.Based on the early online banking experience, it has been predicted that to be successful in long term, the operations of an e-business must compete differently from those traditional business counterparts.

The online banking services are provided by both the public sector and private sector banks, and obviously the range of services and the quality of the same differ between the public and private sector banks. Hence, the researcher has undertaken this study to examine the reasons for adopting and not adopting online banking, criteria for online banking, quality of services performed in the banks via internet, banking quality of services provided by the banks via internet and banking functional / psychological aspects of online banking among the sample respondents who belong to the public sector and private sector banks in Kanchipuram Town.

Objectives of the study

The objectives of this study are:

To find out the Functional/ Psychological Barriers and Quality of online Banking Services (Critical Factors of online Banking); and

To ascertain the reasons for preferring and not preferring online banking by the sample respondents

Hypotheses of the study

This study postulates the following objectives:

There is no significant association between the quality of services performed by the banks through online banking and the choice of bank by the customers;

The criteria for choosing online banking among customers is not associated with quality of service provided by banks through online banking services;

Methodology of the study

This study analysis the usefulness of internet banking among the customers and the problems and prospects they face in the same. For this purpose, Kanchipuram district has been selected as the sample district, from which Kanchipuram Town has been identified as the sample area, since all the leading public sector and private sector banks are functioning in this area. Moreover, the customers in this urban area are also expected to make use of the online banking facility which is provided by the bank. For this purpose, one public sector bank viz., the State Bank of India (SBI) and one private sector bank, viz., Axis Bank has been selected as the sample banks. For these two banks, 50 customers each have been identified and these 100 customers form the sample respondents for this study. From the sample respondents, the necessary information has been gathered with the help of a standard questionnaire. The questionnaire contained information pertaining to the identification particulars of the respondents, their personal details, household information, banking particulars, their problems and

prospects of internet banking which are faced by them.

Problems and Prospects of Online Banking -Analysis and Interpretation

From the table, it is evident that between male and female customers, extent of adopting e-banking facilities is found to be similar as in both groups, more than 60 per cent of the customers tend to adopt the facilities. By age, it is apparent that adoption of e-banking facilities is higher among younger customers (age up to 25 years) (75.9 per cent) as well as among customers group with age between 26-40 years compared to those in the age above 40 years. Moreover adoption of e-banking services tends to decline with increase in age levels.

By the customer groups based on education, it is identified that more number of bank customers with graduation (74.5 per cent) and above graduation level (59.5 per cent) are found to be adopting e-banking services. Those who do not adopt the e-banking services are more among bank customer group with secondary education (57.1 per cent). This indicates the existence of difference in the extent of adopting e-banking services across customer groups by educational status. The H values are significant for respondent categories by age ($H = 8.97$, $p < 0.01$), education ($H = 16.41$, $p < 0.01$) and income ($H = 10.90$, $p < 0.01$). This provides evidence that there is significant association between adoption of online banking and age, education and income of the bank customers.

Table 2 reports the results of the analysis eliciting the relationship between "number of times visiting bank in a month" and "Adoption of e-banking services".

The table indicates that there is positive relationship between "number of times visiting bank in a month" and "adoption of e-banking". This is because

Adoption of e-banking is 60.0 per cent when number of visits is up to 5 times, 73.1 per cent if it is 6-10 times and 82.1 per cent when number of times visits in a month is more than 10 times. The H value, 7.72 is also significant at 5 per cent level. Altogether the findings have been that there is significant positive relationship between "number of times visiting bank in a month" and "adoption of e-banking" among bank customers.

Adoption of Online Banking Facilities

The reasons for adopting online banking services were gathered from those who adopted e-banking services and primary reasons for adoption is ascertained through mean perception score. In the questionnaire, 9 items with 7 point-scale ranging from "Very strongly disagree (VSD)" (1), "Strongly disagree (SD)" (2), "Disagree (D)" (3), "Neutral (N)" (4), "Agree (A)" (5), "Strongly Agree (SA)" (6) and "Very Strongly Agree (VSA)" (7) are included to get opinion of the bank customers' reasons for adopting e-banking services. The mean perception score along with standard deviation, order of the reasons and level of agreement based mean perception score is shown in Table 3.

It is seen from the table that the mean score for reasons ranges from 4.94 (online Banking (OB) is more convenient than in-branch banking) to 5.71 (Like to use new technologies). The mean scores for all reasons except "OB has made banking easy" and "Like to use new technologies" are in "Agree" range (>=4.50 and < 5.50). For other two remaining reasons mentioned

Table.1 Adoption of e-Banking Facilities – Comparison of Respondents' Opinion by General Characteristics

Characteristics		Important	Unimportant	Total	Kruskal Wallis Test	
					Rank Sum	H Value
Sex	Male	64.3	35.7	100	51250.0	0.31
	Female	60.8	39.2	100	13730.0	
Age	Upto 25	75.9	24.1	100	13785.0	8.97***
	26-40	61.6	38.4	100	39780.0	
	Above 40	52.6	47.4	100	11415.0	
Education	Secondary	42.9	57.1	100	9150.0	16.41***
	Degree	74.5	25.5	100	23335.0	
	Above Degree	59.5	40.5	100	32495.0	
Occupation	Govt.	66.7	33.3	100	3150.0	4.37
	Private	60.3	39.7	100	25360.0	
	Business	60.8	39.2	100	22260.0	
	Professional	77.4	22.6	100	4825.0	
Income	Up to Rs.25000	54.6	45.4	100	23405.0	10.90***
	Rs.25001 -50000	63.0	37.0	100	27970.0	
	Above Rs.50000	77.0	23.0	100	13605.0	

Source: Primary Data.
Figures are in percentages. **Significant at 5% level; ***Significant at 1% level.

Table.2 Relationship between "Number of Times Visiting Bank in a Month" and Adoption of Online Banking Facilities

No. of Times Visiting Banks	Adoption of e-banking			Kruskal Wallis Test	
	Yes	No	Total	Rank sum	H Value
Upto 5 times	60.0	40.0	100	52360.0	7.72**
6-10 times	73.0	26.9	100	8500.0	
More than 10 times	82.1	17.9	100	4120.0	

Source: Primary Data; **Significant 5% level.

Table.3 Reasons for Adopting Online Banking [OB]

Reasons for Adopting	Mean	SD	Ranking Order	Level of Agreement
OB is more convenient than in-branch banking	4.94	0.99	9	A
OB is more reliable than in-branch banking	5.13	1.02	4	A
OB transaction can be done faster than in-branch banking	5.07	1.15	6	A
OB allows easier maintenance of transaction activities than in-branch banking	5.04	1.08	7	A
OB is safer and more secure than in-branch banking	4.97	1.43	8	A
OB gives better overview of finances	5.08	1.19	5	A
OB has made banking easy	5.63	1.05	2	SA
Like to use new technologies	5.71	0.98	1	SA
Use OB for better rate offers and charges only	5.36	1.28	3	A

Source: Primary Data; A – Agree; SA – Strongly Agree.

above, the mean scores are "Strongly agree" range (>=5.50 and < 6.50). So everyone who has adopted the e-banking has agreed with all statements pertaining to reasons for adoption of e-banking.

To get an idea about the reason which is mostly considered for adoption, all statements are ranked based on the mean perception score. From the ranking order, it is identified that "Like to use new technologies" is the major reason followed by "OB has made banking easy" and "Use OB for better rate offers and charges only" for adoption of e-banking among bank customers. On the whole it is found that the bank customers consider all 9 reasons but "Like to use new technologies", "OB has made banking easy" and "Use OB for better rate offers and charges only" are the first three primary reasons for adoption of e-banking.

Next to the above "Not aware of online banking service" is also the reason for not adopting e-banking. To sum up, from the entire above inferences, it is concluded that some bank customers have not adopted e-banking services as they do not trust the online as a channel for banking and it is complicated to use as well as they cannot afford the Online fee. There are also reasons other than the above which are mentioned in the table except "online banking offers a limited range of services" for not availing online banking services.

Null Hypothesis (H_0): There is no significant association between the quality of services performed by the banks through online banking and the choice of bank by the customers.

Alternative Hypothesis (H_1): There is significant association between the quality of services performed by the banks through online banking and the choice of bank by the customers.

As shown in the table, the mean scores for all performed services in the public sector banks except "balance enquiry" is less compared to that of those service in private sector banks. In respect of services like balance enquiry, there is no remarkable difference between public and private sector banks as t-value computed for the difference in group means is not significant at required hypothetical level. Similarly, from insignificant t-values it is apparent that, in both public and private sector banks, there is no notable difference in the performed services such as "Deposits using ATM", "Credit card facilities", "Telephone banking", "Reasonableness in cost", "Security of transactions", "Adequacy of knowledge provided by bank" and "Promptness in attending grievances".

To measure the quality of services provided by the banks, 13 various services via e-banking / online banking were included in the questionnaire. The scaling technique and inferences of the mean score is as same as that of one adapted for evaluating "services performed" in the previous two tables. It can be observed from the table that the mean perception scores are in the "very good" status range (>= 4.50 and < 5.50) for all services except "Deposits using ATM" provided by the banks. For "Deposits using ATM" (4.43), the mean perception score is in the "Good" status range (>= 3.50 and < 4.50

Null Hypothesis (H_0): The criteria for choosing online banking among customers are not associated with quality of service provided by banks through online banking services.

Table.4 Reasons for NOT Adopting Online Banking

Reasons for Not Adopting	Mean	SD	Ranking Order	Level of Agreement
Unsure about the security of transactions	4.83	1.49	7	A
Can do all banking in other ways	4.69	1.32	9	A
Uncertain the benefit of online banking	4.76	1.51	8	A
Have no access / limited access to Online	4.89	1.51	8	A
I cannot afford Online fee	4.97	1.36	6	A
Not sure how it works	4.90	1.49	5	A
E-banking is complicated to use	5.02	1.61	2	A
Not aware of online banking service	4.94	1.61	4	A
E-banking offers a limited range of services	4.37	1.92	10	N
Do not trust the online as a channel for banking	5.17	1.47	1	A

Source: Primary Data; A – Agree; SA – Strongly Agree.

Table.5 Quality of Services Performed in the Banks via Online Banking - Comparison between Public and Private Sector Banks

Services	**Public Sector**		**Private Sector**		t-value
	Mean	SD	Mean	SD	
Balance Enquiry	4.87	1.43	4.72	1.35	0.99
Deposits using ATM	4.43	1.70	4.47	1.52	-0.19
Withdrawals using ATM	5.19	1.45	5.73	1.04	-3.51***
Credit Card Facilities	4.81	1.65	5.04	1.39	-1.29
Debit Card Facilities	4.96	1.31	5.35	1.18	-2.70***
Online Banking	4.67	1.64	5.49	1.20	-4.76***
Telephone Banking	4.38	1.63	4.67	1.54	-1.61
e-Transfer of Funds	4.53	1.64	5.42	1.21	-5.16***
User friendliness of e-Banking	4.98	1.42	5.44	1.19	-2.99***
Reasonableness of Cost	4.91	1.51	4.92	1.47	-0.08
Security of Transactions	4.92	1.50	5.17	1.56	-1.42
Adequacy of Knowledge provided By bank	4.85	1.45	4.99	1.66	-0.79
Promptness in attending grievances	4.66	1.66	4.96	1.66	-1.60

Source: Primary Data. ***Significant at 1% level.

Table.6 Quality of Services Provided by the Banks via Online Banking

Services Performed	Mean	SD	Ranking Order	Status
Ability to pay bills online	4.53	1.48	11	VG
Deposits using ATM	4.43	1.65	13	G
Withdrawals using ATM	5.18	1.38	2	VG
Credit Card Facilities	4.79	1.57	6	VG
Debit Card Facilities	5.24	1.35	1	VG
Online Banking	5.06	1.26	3	VG
Telephone Banking	4.58	1.38	10	VG
e-Transfer of Funds	4.87	1.40	4	VG
User friendliness of e-Banking	4.86	1.42	5	VG
Reasonableness of Cost	4.76	1.63	7	VG
Security of Transactions	4.73	1.46	8	VG
Adequacy of Knowledge provided by bank	4.59	1.57	9	VG
Promptness in attending grievances	4.53	1.67	12	VG

Source: Primary Data; G – Good; VG – Very Good.

Table.7 Quality of Services Provided by the Banks via Online Banking – Comparison between Public and Private Sector Banks

Services	Public Sector		Private Sector		t-value
	Mean	SD	Mean	SD	
Ability to pay bills online	4.57	1.49	4.46	1.44	0.64
Deposits using ATM	4.34	1.71	4.64	1.52	-1.59
Withdrawals using ATM	5.01	1.40	5.53	1.25	-3.36***
Credit Card Facilities	4.79	1.63	4.78	1.44	0.08
Debit Card Facilities	5.03	1.45	5.68	0.98	-4.33***
Online Banking	4.87	1.32	5.45	1.02	-4.11***
Telephone Banking	4.38	1.37	4.99	1.31	-3.95***
e-Transfer of Funds	4.73	1.47	5.17	1.19	-2.76***
User friendliness of e-Banking	4.70	1.48	5.22	1.22	-3.28***
Reasonableness of Cost	4.55	1.65	5.23	1.48	-3.75***
Security of Transactions	4.52	1.38	5.18	1.54	-4.03***
Adequacy of Knowledge provided by bank	4.50	1.57	4.81	1.55	-1.73*
Promptness in attending grievances	4.40	1.55	4.81	1.89	-2.21**

Source: Primary Data.
*Significant at 10% level; **Significant at 5% level; ***Significant at 1% level.

Alternative Hypothesis (H_1): The criteria for choosing online banking among customers are associated with quality of service provided by banks through online banking services.

The quality of services provided by the banks is compared between public and private sector banks and the results of the comparative analysis are shown in Table 7.

The result presented in the table indicates that the calculated t-value is statistically significant in most of the cases and hence, the null hypothesis is rejected, which suggests that there is significant difference between the public sector and private sector banks. Moreover, as per table, the mean scores for private sector banks are higher than that of public sector banks in respect of all services except "Ability to pay bills online" and "Credit Card Facilities". The t-values are insignificant in the case of "Ability to pay bills online", "Deposits are using ATM" and "Credit Card Facilities", in turn indicating that these services provided via online banking between public and private sector banks have been at similar status. At the same time t-values for the all other services than the above three are significant at required hypothetical level. That is status of services such as Withdrawals using ATM, Debit Card Facilities, Online Banking, Telephone Banking, e-Transfer of Funds, User friendliness of online Banking, Reasonableness of Cost, Security of Transactions, Adequacy of Knowledge provided by bank and Promptness in attending grievances provided by private sector banks is significantly better than these services provided by public sector banks via online banking to bank customers. In short, it is deduced that there is significant difference in the services provided adequately via online banking between private and public sector banks.

Problems faced in online banking

This section examines the problems faced by the customers in their use of online banking with the application of mean and standard deviation and moreover, the t-value has also been calculated in order to find the statistical significance of the difference between the public sector and private sector banks. Table - 8 presents the problems faced by the respondents.

The table indicates that the calculated t-value is significant in case of all indicators of problems faced by the respondents in their use of online banking, especially when it is considered on the basis of the bank with which they are liked. The lack of security in transactions is particularly felt between the public sector banks and private sector banks, since they opine that the former are more secure compared to that of the latter.

Prospects of online banking

Online banking offers lot of prospects among the customers in their use of banking services, as they can effect fund transfer, know their balance, can trace their transactions and can link with many other services like the payment of utility bills and others. This is examined in this section and the necessary data is presented in Table - 9.

From the above table 73.9 per cent indicate that online banking makes it easier to conduct financial transactions; and only 56.6 per cent either strongly agree or agree that they trust that others are not able to use or see their account information while they operate their online banking service and 68 per cent opine that they have a very positive image of online banking services. This shows that while they opine that online banking is faster, quicker and easier

Table.8 Problems faced in Online Banking by the Respondents

Problems faced in Online Banking	Public Sector		Private Sector		t-value
	Mean	SD	Mean	SD	
Unsure about the security of transactions	5.87	1.43	5.72	1.35	3.25***
Can do all banking in other ways	5.43	1.70	5.47	1.52	3.42***
Uncertain the benefit of Online banking	5.19	1.45	5.73	1.04	-3.51***
Have no access / limited access to Online	5.81	1.65	5.94	1.39	3.19***
I cannot afford Online fee	4.96	1.31	5.35	1.18	-2.70***
Not sure how it works	4.67	1.64	5.49	1.20	-4.76***
E-banking is complicated to use	4.38	1.63	5.67	1.54	-3.45***
Not aware of E-banking service	4.53	1.64	5.42	1.21	-5.16***
E-banking offers a limited range of services	4.98	1.42	5.44	1.19	-2.99***
Do not trust the online as a channel for banking	4.91	1.51	5.92	1.47	-2.98***

Source: Primary data. *** indicates 1 per cent level of significance.

Table.9 Prospects of Online Banking among the Respondents

Services Performed	SA	A	NO	D	SD
Online Banking services are fast to use	42.6	32.5	5.2	10.5	9.2
Online Banking services are easy to use	44.1	40.9	4.7	6.5	3.8
Use of Online Banking service is convenient	40.8	42.0	6.2	6.8	4.2
Progress of Online Banking service in the future is clear	32.3	30.8	9.5	15.0	12.4
Online banking makes it easier for me to conduct financial transactions	39.2	34.7	11.3	7.3	7.5
I trust that others are not able to use or see my account information while I am using my Online banking service	30.8	25.8	13.4	16.7	13.3
I have a very positive image of Online banking services	33.3	34.7	8.7	11.7	11.6
In my opinion, new technology is often too complicated to be useful	46.8	40.5	2.1	4.4	6.2

Note: Figures in percentage. SA - Strongly agree; A - Agree; NO - No Opinion; D - Disagree; SD - Strongly Disagree. Source: Primary data.

for them to carry out their banking activities without going to the bank, still they have their own concerns and reservations about the safety and security of the same. This is particularly true when the news about online bank frauds and cyber thefts of bank account comes in the papers every now and then. This calls for strong safety and security mechanisms in place, before attracting the customers to carry out their banking activities in online mode.

From theoretical framework, it becomes apparent that bank customers adopt Internet banking through perceived usefulness and perceived ease of use. It is further apparent from the framework that various characteristics of the bank customers as well as bank play vital role in influencing the adoption of online banking and internet banking among customersFour underlying aspects (dimensions) of functional / psychological barriers (two aspects related barriers such as "Complications and Difficulties in using OB initially" and "Risk of getting wrong information") and benefits (two benefits namely, "Convenient & Easy to Use" and "Good option next to traditional banking") are identified using factor analysis. When compared across respondent groups by banking characteristics, it is found that the perceived status of functional / psychological barriers/benefits is related to importance of using ATM, online banking, preferred type of banking, availing e-banking services, period of using e-banking, number of times visiting banks in a month, number of online transaction in a week and number of banking transaction in a month.

Suggestions

Online banking is a technological advancement, which no one can wish away. But there needs to be sufficient safeguards to protect the interest of the customers;

The banks need to provide more information pertaining to the use and utility of online banking among the customers, since it will help them in cutting down their cost of operation;

The public sector banks can improve their quantity of quality of services, as far as online banking activities are concerned, since they lack behind the private sector banks in this segment;

The private sector banks need to improve the level of transparency and also the level of safety and security of online transactions, since some of the customers are skeptical about the level of confidentiality of their transactions;

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