



## **AN EMPIRICAL INVESTIGATION OF DEMOGRAPHY AND CUSTOMERS' PREFERENCE OF INTERNET BANKING IN INDORE DISTRICT OF MADHYA PRADESH**

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### **ABSTRACT:**

Technology has enhanced the standards of services provided by banking system via ATM, mobile banking and Internet Banking. This is the reason why banks have located themselves at the front position of the technology for the last decade. The current study, there is an empirical investigation of demography and customers' preference of Internet Banking in Indore District of Madhya Pradesh. Bank customers of various bank branches located in Indore district was target population for this study. As it was difficult to identify sample frame i.e. total number of internet banking users in Indore district hence non-probability sampling method is used. In the preference analysis, it is concluded that payment (online purchase, fees, tickets and hotel booking) service and getting information (balance enquiry, mini statement etc) is very much popular and most preferred services in Indore district. In the whole research, it is also observed that majority of users are belongs to urban area i.e. Indore tehsil. So banks need to concentrate on semi urban as well as rural area for the enhancement of banking industry.

**Keyword:** Internet Banking, Customer Preference.

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### **1. INTRODUCTION**

Today's advanced technology has revealed a great impact on the banking industry by their superfast and efficient tools. Banking system is utilizing these technologies to offer their customers with anywhere, anyway and anytime services. This high class service technologies availing the banks to fulfil growing expectations of their clients and face hard competition.

With the escalating use of internet services in India, Banks acknowledged the necessity of Internet Banking services to augment the Banking transaction and enhance the number of banking user. Banking through Internet has appeared as a strategic way to attain higher efficiency and control. Furthermore, Internet Banking amenities are now provided by each bank at every part of the country. Bothering about this scenario, the purpose of the present research is to study demographic statistics of Internet Banking customers in Indore district of Madhya Pradesh and also to explore preferred Internet banking services by the customer in Indore district of Madhya Pradesh.

This study is exactly required to have Empirical Investigation of demography and customers' preference of Internet Banking in Indore district of Madhya Pradesh with the result of which it would be easier to determine where the banking industry has reached and how far they still have to go to make themselves wide ranging and more developed.

The conclusion found by this study can help out various banks to enhance themselves in all the ways through having a report of their customers stating the actual scenario of their services.

#### **1.1 Internet Banking : In Today's Scenario**

All industries, along with the banking organizations, in India and all over the world keep racing to provide the latest and state of the art technology, which costs them a lot of money in an attempt to benefit from the first mover competitive advantage, capture larger market share and reduce operating



costs. The challenging business environment in the financial services market has also resulted in more pressure on banks to develop and utilize alternative delivery channels, with a view to attract more customers, improve customers' perceptions, increase customer satisfaction and encourage loyalty. Among the more recent delivery channels introduced is internet banking. Internet banking, which was introduced in 1980's, has come a long way since then, though it was only in the mid 1990's that internet banking caught on and emerged in the developing countries. The last few years has seen a profuse growth in internet banking transactions in India. The value of internet banking for consumers is in its immediate location-free access to banking services, which saves time; real-time information; and enhanced feelings of control. Studies estimate that internet banking in India still has a long way to go. In today's competitive Indian banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev et al, 2004). Customers are increasingly aware of the options on offer in relation to the rising standards of service (Krishnaveni et al, 2004). This is the reason, why bank customers are moving towards Internet Banking services.

Internet plays vital role between banks and customers to receive and deliver information, this form of banking is described as Internet banking (Reserve Bank of India, 2001).

The process in which internet and computer device are used as a medium to facilitate banking services is termed as internet banking. Internet banking is a web-based service that enables the banks authorized customers to access their account information. It permits the customers to log on to the banks website with the help of bank's issued identification and personal identification number (PIN). The banking system verifies the user and provides access to the requested services, the range of products and service offered by each bank on the internet differs widely in their content. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. Over a long time, been using electronic and telecommunication networks for delivering a wide range of value added products and services. The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include Personal Computers. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. Although, the range of products and services offered by different banks vary widely both in their content and sophistication. Most of the banks offer internet banking as a value-added service.

## **1.2 The Major services of Internet Banking**

Internet banking provides numbers of benefits to its customers, some of the benefits are: It removes the traditional geographical barriers for customers. The customer can access their account anytime and from any part of the world, Due to new innovative and convenient facility it attracts new customers who are using traditional banking system so far, It facilitate the offering of more services because this is internet based services which is time saving and customer can access and regulate his/her account himself/herself, This facility have zero fee, so no monthly payments are required to forfeit for availing this service, Free of charge bill reimbursement and refunds on ATM surcharges, Simple online submissions for personal accounts, loans and credits, Due to self access system it reduce customer attrition and Increase customer loyalty, High-tech technical advancements in the form of intrusion detection systems (IDS) to virus control equipments have made Online Banking system hazard free. However, regardless of the fact it is vital on the part of every customer to undertake few precautionary measures while transacting online.



## **2. LITERATURE REVIEW**

Margaret, M. & Ngoma, F.N. (2013), has done a research that was conducted in Harare to determine the socio-demographic factors that influence internet banking adoption. The study recommended bankers to tailor make their marketing efforts towards the middle aged, high income earners, the educated and the employed.

Elavarasi, R. & Surulivel, S.T., explored about Customer Awareness and Preference towards E-Banking Services of Banks. The data analysis shows that age, educational qualification, occupation, income level of customer are significant factor that decide usage of e-banking services of various banks in the study area.

Liao, Z. & Cheung, M.T. (2001) in their empirical study explored the Consumer attitudes toward the usefulness of and willingness to use Internet Banking Services. The study showed that expectations of accuracy, security, network speed, user-friendliness, user involvement and convenience were the most significant quality attributes causes its usefulness. These results drew attention towards the reason of recent slowdown and may also help in the future enhancement.

However, if we take Indore region into the consideration, there no study regarding preferred Internet Banking services and demographic statistics of the customers in Indore district of Madhya Pradesh. As well as there is no suggestions for banking Industry to improve themselves on the basis of demographic statistics results in Indore district of Madhya Pradesh.

## **3. OBJECTIVES**

The purpose of this research is to explore demography and customers' preference of internet banking in Indore district of Madhya Pradesh

The study is undertaken with the following objectives:

- To study demographic statistics of Internet banking customers in Indore district of Madhya Pradesh.
- To explore preferred Internet Banking services by the customer in Indore District of Madhya Pradesh.

## **4. METHODOLOGY**

This research is based on an empirical investigation, conducted for the investigation of demography and customers' preference of Internet Banking in Indore district of Madhya Pradesh. The choice of research design depends on the objectives of the research in order to be able to answer the research questions (Crotty, 1998). The nature of study is exploratory. Quantitative approach is used to test an objective theory which is done by collecting numerical data and analyse it statistically.

Clients of bank belonging from different bank branches located in Indore district was target population for this study. As it was difficult to identify sample frame i.e. total number of internet banking users in Indore district hence non-probability sampling method is used. To make sample more representative, quota sampling technique was also adopted while selection of sample in which whole population was divided in four groups based on tehsil eg. Indore tehsil, Sanwer tehsil, Mhow tehsil and Depalpur tehsil and sample were drawn from each tehsil based on snowball sampling technique. As snowball sampling is a non probabilistic sampling technique where existing study subjects recruits future subjects from among their acquaintance. A sample is taken from the target population being researched. If the sample is adequate it will have the same characteristics of the population (Zikmund, 2003). Thus the sample group appears to grow like a rolling snowball. As the



sample builds up enough data is gathered to be used for research. Snow ball sampling technique is often used in hidden population, as in this study, which is difficult for researcher to access.

In general, there are two types of quantitative research methods (Creswell, 2007): survey and experiment. This study has used survey method where the data is collected by using a questionnaire to discover the opinion of a population, based on sample of the population.

The primary data has been collected by means of structured questionnaire in two ways i.e. personally and through e-mail. The final questionnaire was operationalised on a sample of 1050 internet banking users of Indore district during the month of March, 2013 to June, 2013. Out of 1050 responses, 44 invalid responses were eliminated and 1006 questionnaires were retained for final analysis.

## **5. DATA ANALYSIS AND INTERPRETATION**

### **1. Demographic Statistics of Internet banking Customers in Indore district of Madhya Pradesh.**

Customers of different tehsils of Indore are profiled using demographic and socio-economic factors. The descriptive statistics of the demographical variables are shown in table 1.

From table 1 the overall sample (n=1006), It is observed that 67% internet banking users are males and 33% internet banking users were females. For Indore tehsil, 65.6% internet banking users are male and 34.4 % are females. For Sanwer tehsil, 59.7 % internet banking users contribute to male and 40.3% users belongs to females. For Depalpur tehsil, 86.4 % internet banking users are male and 13.6 % are females and for Mhow tehsil, 75.6% internet banking users are male and 24.4 % are females. It is clear that male candidates are mostly using internet banking than females.

It can also be observed that 92 % internet banking users are below 30 years, for Indore tehsil 92.4 % users age is below 30 years, for Sanwer tehsil 77.5% internet banking users are below 30 years, for Depalpur tehsil 100% internet banking users are below 30 years and for Mhow tehsil 95.8 % internet banking users are below 30 years. Thus the majority of the users of internet banking for Indore tehsil, Sanwer tehsil, Depalpur tehsil and Mhow tehsil users are the young age group users whose is below 30 years. Thus the banks needs to take care of the age above 30 years as there are few users who used internet banking.

Out of 1006 respondents 55 % internet banking users belong to income group of less than Rs. 4,00,000, 36 % internet banking users belong to the income group of Rs 4,00,000 – 7,00,000 and only 9 % internet banking users have income 7,00,000 or above. When we look in tehsil-wise description we found that for Indore tehsil , 54.6% users income is less than Rs.4,00,000, then come 35.2% users for income group Rs 4,00,000 to 7,00,000, for Sanwer tehsil, 32.3% users income is less than Rs.4,00,000 and 58.1% users for income group Rs 4,00,000 to 7,00,000, for Depalpur tehsil , 72.7% users income is less than Rs.4,00,000, and 27.3% users for income group Rs 4,00,000 to 7,00,000 and for Mhow tehsil , 65.2% users income is less than Rs.4,00,000 and 29.9 % users for income group Rs 4,00,000 to 7,00,000. Thus majority of Indore tehsil, Sanwer tehsil, Depalpur tehsil and Mhow tehsil internet banking users comes in income less than 7,00,000. Thus from the results the researcher identify that banks needs to target more customers of income group Rs.7,00,000 or higher in Indore district.

From occupation statistics, out of total sample (n=1006) 80% respondents are student, 13% respondents are belongs to service class and only 7% internet banking user having business as their occupation. For Indore tehsil, 80.5% internet banking users are student, 13.9% internet banking users are service and only 5.7% internet banking user have business as their occupation. For Sanwer tehsil, 67.7% internet banking users are student, 17.7% internet banking users are service personnel and only 14.5% internet banking users are business personnel . For Depalpur tehsil 36.4% internet banking



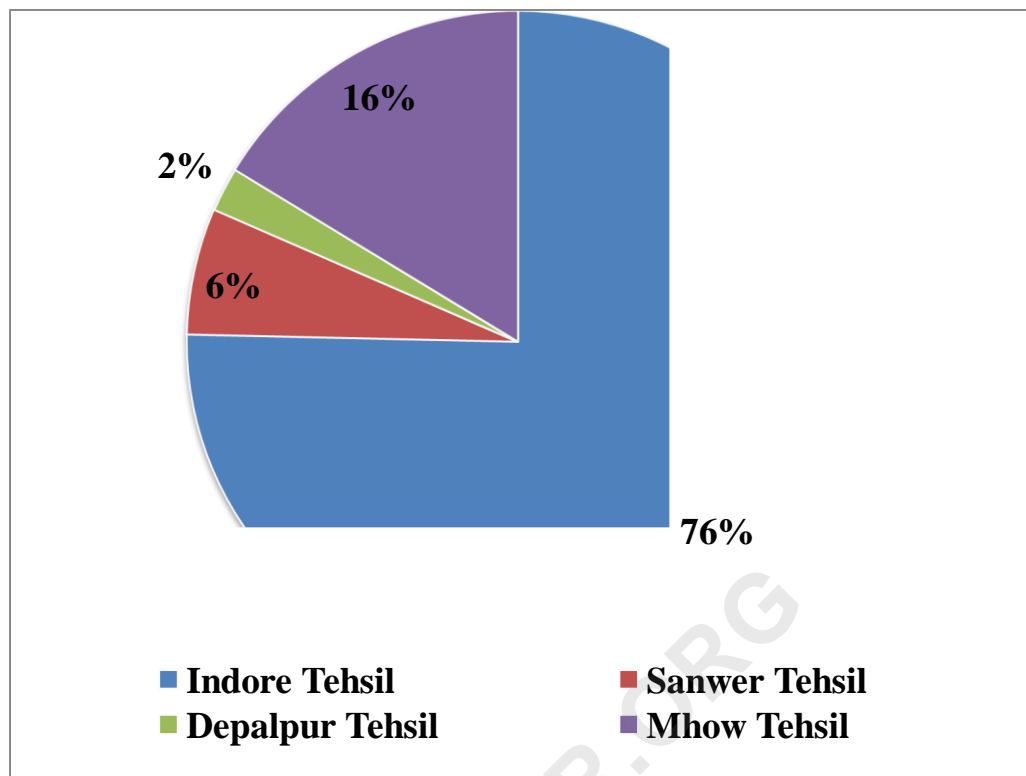
users are students, 13.6% internet banking users are service personnel and 50% internet banking users are business

**Table 1: Tehsil-wise Demographic Profile and Usage pattern of Internet Banking Users of Indore district.**

	<b>Mhow Tehsil (in %) (n=164)</b>	<b>Indore Tehsil (in %) (n=758)</b>	<b>Sanwer Tehsil (in %) (n=62)</b>	<b>Depalpur Tehsil (in %) (n=22)</b>	<b>Total (in %) (n=1006)</b>
<b>Gender</b>					
Male	75.6	65.6	59.7	86.4	67
Female	24.4	34.4	40.3	13.6	33
<b>Age</b>					
less than 23 years	79.3	69.3	32.3	31.8	68
24- 29 years	16.5	23.1	45.2	68.2	24
30-40 years	3.7	5.0	14.5	0	5
40 years & above	6	2.6	8.1	0	3
<b>Family Income (annual)</b>					
Less than Rs. 4,00,000	65.2	54.6	32.3	72.7	55
Between Rs. 4,00,000 – 7,00,000	29.9	35.2	58.1	27.3	36
More than Rs.7,00,000	4.9	10.2	9.7	0	9
<b>Occupation</b>					
Student	87.8	80.5	67.7	36.4	80
Service	9.1	13.9	17.7	13.6	13
Business	3.0	5.7	14.5	50.0	7
<b>Education Qualification</b>					
Under Graduate & Graduate	86.6	68.7	69.4	90.9	72
Post graduate & above	13.4	31.3	30.6	9.1	28



**Chart 1 - Sample Statistics for Internet Banking Users among Tehsils in Indore**



personnel and for Mhow tehsil 87.8% internet banking users are student, 9.1% internet banking users are service personnel and only 3% internet banking users are business personnel.

Thus for Indore tehsil, Sanwer tehsil and Mhow tehsil, majority of internet banking users belongs to student and then service, so bank's of these tehsils need to concentrate on the users who have business of their own whereas for Depalpur tehsil, it is found that about 50% of total users of Depalpur tehsil are business personnel, majority of internet banking user are belongs to business. Bank's of Depalpur tehsil need to focus on students and service personnel. From the Qualification statistics, out of total sample of Indore district (n=1006) 72% internet banking users are Undergraduate and Graduate and 28% internet banking users are Postgraduate and above, for Indore tehsil, Sanwer tehsil, Depalpur tehsil and Mhow tehsil, majority of the customers belong to undergraduate and graduate. It is also observe that majority of users are belongs to urban area i.e. Indore tehsil. So banks need to concentrate on semi urban as well as rural area.

## **2. Referred Internet Banking Services by the Customer of Indore District.**

**Table 2 Preferred Internet Banking Services by the Customers of Indore District**

Preferred Internet Banking Services	Users (n=1006)
Payment for online purchase, Fees & Ticket/ Hotel booking	798 (79%)
Getting information	608 (60%)
Utility Payment	459 (46%)
Fund Transfer	358 (35%)
Request (DD, cheque book etc.)	213 (21%)
Demat account service & Trading activity	114 (11%)





The researcher also studies the Internet banking services preferred by users of Indore. Also try to compare the preferred services by the users.

From table 2, It is clear that payment (online purchase, fees, tickets and hotel booking) service and getting information (balance enquiry, mini statement etc) is very much popular and most preferred services in Indore district.

**Chart 2 - Preferred Internet Banking Services by the Customers of Indore District**

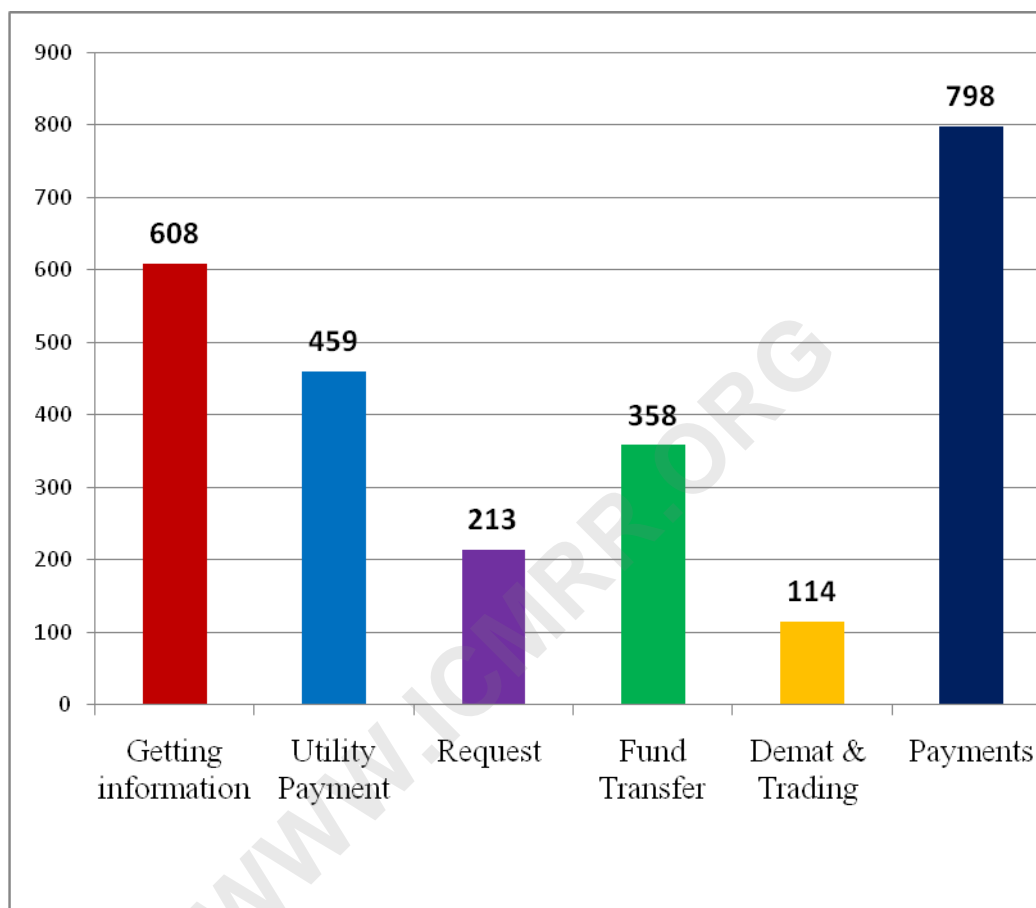


Chart 2 explain that 798(79%) internet banking users using payment (online purchase, fees, tickets and hotel booking) service while 608(60%) internet banking users using getting information(balance enquiry, mini statement etc) service. Utility payment and fund transfer services is also popular among the users of internet banking of Indore district 459 (46%) internet banking users using utility payment service while 358 (35%) internet banking users using fund transfer service.

It is also observe that request (DD, cheque book etc.) and demat account service and trading activity is least preferred service by the internet banking users of Indore district, only 213 (21%) internet banking users using request (DD, cheque book etc.) service whereas only 114 (11%) internet banking users using demat account service and trading activity. Thus banks need to promote these services so that customers of internet banking can take benefits of these services.



## **6. CONCLUSION**

The bank's managers need to understand their customers better. An in-depth investigation of usage pattern of Internet Banking Services Provided by Banks in Indore District of Madhya Pradesh may help classifying and segmenting the bank's customers, and understand their needs better.

With the help of demographic profile, it is found that male candidates are mostly using internet banking than females. So, bank managers are advised to take care about female customers. The majority of the users of internet banking for Indore tehsil, Sanwer tehsil, Depalpur tehsil and Mhow tehsil are the young age group users whose is below 30 years. Thus the banks needs to take care of the age above 30 years as there are few users who used internet banking. From the results, the researcher identify that banks needs to target more customers of income group Rs.7,00,000 or higher in Indore district.

From this study for Indore tehsil, Sanwer tehsil, Depalpur tehsil and Mhow tehsil, it is concluded that the majority of the customers belong to undergraduate and graduate. It is also observed that in Depalpur tehsil, internet banking users are using internet banking more than a year in comparison to the other districts. Thus the banks need to provide its internet banking service to its customers in such a way that the customer feel satisfied and they keep on using internet banking for long time.

In the preference analysis, it is concluded that payment (online purchase, fees, tickets and hotel booking) service and getting information (balance enquiry, mini statement etc) is very much popular and most preferred services in Indore district. Thus banks need to improve other services also, so that customers of internet banking can take benefits of all services.

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