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MASTER OF SCIENCE IN SERVICE MANAGEMENT

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A COMPARATIVE STUDY ON RURAL AND URBAN CUSTOMERS' INTERNET BANKING USAGE:

A CASE OF A SELECTED SPECIALIZED BANK

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Abstract

Introduction: The advent of internet banking has revolutionized financial transactions and services, making it possible for customers to manage their finances online from virtually anywhere. The introduction of internet banking has transformed the Sri Lankan banking sector from traditional practices to digital platforms. Despite these advancements, there exists a notable digital divide in internet banking adoption between urban and rural areas, impacting financial inclusion, economic growth, and societal welfare. An internal analysis of ABC Bank revealed lower adoption rates of internet banking among rural customers compared to urban ones. To address this disparity, a study aims to investigate the factors affecting internet banking usage in both urban and rural settings, with the goal of promoting wider adoption across all demographics.

Methodology: This study emphasizes the significance of a well-structured methodology to bridge the gap between its research objectives and the gathered evidence, focusing on investigating the factors affecting the adoption of internet banking among ABC Bank customers aged 18 to 55 who have not used online banking services. Utilizing a non-probability, purposive sampling method, participants were chosen from both urban (Moratumulla branch) and rural (Kiriella branch) settings, with standardized questionnaires distributed over four weeks yielding 117 rural and 114 urban responses. The methodology accounted for a large sample size, as defined by the Law of Statistical Regularity and the Law of Inertia of Large Numbers, and explored the impact of independent variables like awareness, resource availability, trust, security, website design, and social influence on the dependent variable, internet banking usage. The study employed various statistical analyses, including descriptive and inferential statistics, correlation, and multiple regression analysis, underpinning the research with a robust analytical framework to test the hypotheses and ensure the reliability of the variables involved.

Results: The findings highlight positive correlations between internet banking usage and factors such as awareness, resource availability, website design, and social influence, though the significance levels of these correlations vary, suggesting differing relationship strengths. Interestingly, while trust shows variable significance in influencing internet banking adoption between rural and urban areas, security does not emerge as a significant

factor in either. Through multiple regression analysis, it underscores the distinct effects of variables like trust, website design, and resource availability on adoption rates, with the awareness factor exhibiting notable differences between rural and urban contexts.

Discussion: The researcher outlines a comprehensive approach to addressing disparities in internet banking usage between rural and urban areas in Sri Lanka, focusing on enhancing awareness, resource availability, trust, and website design. In rural areas, the paradox of high awareness but low usage is attributed to factors like poor internet connectivity, limited technological access, digital illiteracy, and cultural preferences for traditional banking. To combat these issues, the researcher suggests educational campaigns, hands-on demonstrations, tailored marketing, incentive programs, and user-friendly platforms with interactive support. To improve resource availability, it's recommended that the government and banks invest in technological infrastructure, promote financial inclusion through partnerships, and offer subsidies for internet banking adoption. Building trust involves implementing advanced security measures, transparent communication about safety protocols, educational initiatives on cybersecurity, and responsive customer support. Enhancing website design requires a focus on user-centric approaches, mobile optimization, streamlined navigation, accessibility, and regular updates based on user feedback. Collectively, these strategies aim to overcome barriers and foster a conducive environment for internet banking adoption across Sri Lanka.