

Antecedents behind Internet-Banking Adoption: An Empirical Study on Private Banking Sector of Bangladesh

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This study aims to identify the antecedents of internet banking services adoption in Bangladesh from customer's perspective. This paper summarizes the theoretical literature on customer's internet banking adoption behavior. It also conducts empirical research for discovering the factors affecting Bangladeshi customer's internet banking adoption in private banking sector. The empirical data were collected through a survey on online banking customer by using questionnaire. A sample 100 respondents had been selected based on judgmental sampling for the study. Frequency distribution, multiple regression analysis has been conducted for research purpose. The result of regression analysis shows that among nine variables cost, easy of operability, security, accessibility, time and status are important variables that affect customer's adoption of Internet banking. It is recommended that bank should take some consideration to apply internet banking and provide more benefits and usefulness to retain more potential customer. Government also should take some initiative in increasing internet banking adoption in Bangladesh as its importance can be seen from this study.

Keywords: Internet Banking, customer perspective, adoption, Bangladesh.

1. Introduction

Since the launch of internet, the large planet has become a smaller one. It has rendered enormous impacts on business sectors. Remarkable development in ICT (Information and Communication Technology) has introduced a global revolution in banking sectors. The global trend in business arena set some challenges that cannot be fulfilled with the help of the traditional banking system.

For over a decade, information technology has significantly affected the banking industry. Banks and other financial institutions have improved their functions as a financial intermediary through adopting various information technologies. The private banks of Bangladesh are performing satisfactory banking services and have a great influence in strengthening country's economy.

'Banking is essential, banks are not' stated Gates (2008). According to Shamsuddoha (2008), E-banking is a general term referring to various computer-based technologies for delivering banking services. It contributes to reduce the cost of retail transactions and improving the efficiency of the banking services and payment systems nationally and internationally.

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E-banking provides 24-hours-a-day access to banking services and make available current information to users– in addition to the familiar browser interface (Hartzum, Jorgensen & Norgaard 2004). Basically, Banking which does not involve any physical action is known as virtual Banking (Altinkemer 2001). In Southeast Asia, internet banking is developing rapidly in Thailand, Malaysia, Singapore and Philippines (Mia et. al 2007). It exists recently in Bangladesh in the form of ATMs, mobile banking and Internet banking.

Internet banking exists only on the Internet, the global network of computer networks without any "brick and mortar" branch offices where financial services accessed via the internet's World Wide Web (Islam 2010). All internet banking customers are given a specific user ID and confidential password so that they can access and operate their own account with security. Most recently the Internet has been added with the e-banking services with the previous form of automatic teller machine and telephone transaction and providing better services with lower cost to both customers and banks. Nsouli & Schaechter (2002) implored that a typical customer transaction costing about \$1 in a traditional "brick and mortar" bank branch or \$0.60 through a phone call which costs only about \$0.02 online.

At present, people are very often scared of doing any banking function with most of the bank of Bangladesh through online. They still follow the traditional paper-based system. It then becomes cumbersome to perform even a simple financial service such as account checking. Therefore the existing banking system in our country is awkward, slow and error prone. It in one hand fails to meet the customers demand and on the other hand causes some significant losses both for the banking authority and traders. Electronic banking, on the other hand, solves the above problems. Furthermore, it opens up some other salient aspects such as increased foreign trade and foreign investment in Bangladesh.

Basically, among various electronic banking technologies internet banking is the latest banking technology and the most rapidly diffused banking technology throughout the world. Now in a world which is becoming increasingly open as a result of the internet, internet banking has been gaining ground the globe. This offers banking institutions a new frontier of opportunities and challenges further augmenting competition in the global banking market.

For these reasons the aim of this study is to find out the factors that impact the adoption of internet banking adoption in Bangladesh. Previously no significant study had been conducted focusing only on the internet banking adoption in Bangladesh. Furthermore the independent variables that are selected for this study are different from the other studies conducted based on Bangladesh. So, this study will contribute to the improvement of internet banking services in the banking sector of Bangladesh.

This paper is structured into three main sections. At first the existing theories and concept are explored and summarized to provide an understanding of the existing knowledge. Then based on these understanding a survey has been conducted on the users of internet banking services to know their views about the services. Here the variables that customer considered important are examined. At last the findings of the study are given that will help provider of internet banking services and those who are planning to provide the service in future and customers to identify important issues and variables that affect adoption of internet banking services and also identify the relative importance of each variable.

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1.1 Objectives of the Study

1. To identify the variables that affects customer's adoption of internet-Banking services in private banking sector of Bangladesh.
2. To measure importance of each variable for customer adoption of internet banking.
3. To provide suggestions for additional aspects of customer adoption of internet based banking system in Bangladesh.

2. Literature Review

"The acceptance and continued use of a product, service or idea is defines as adoption" stated by Sathye (1999) .Hasan, Baten, Kamil. &Parveen (2010) acknowledged some basic banking services via internet which included account balance enquiry, fund transfer among accounts of the same customer, opening or modified term deposit account, cheque book or pay order request, exchange rate or interest rate enquiry, bills payment, account details& summary repayment of loans, statement request, discontinuation of check & cheque status enquiry and, refill prepaid card, password change, L/C application lost card (debit/credit) reporting, view credit card statement and pay dues, check balance. & bank guarantee application. Parisa (2006) mentioned that traditional financial institutions as well as banks try to retain more customers by improving customer banking services, reducing their branch networks, and downsizing the number of their service staff by offering internet banking services. Many Bangladeshi banks are now offering internet banking services.

According to International Finance Corporation - IFC (2009), the financial sector in Bangladesh consists of a central bank (Bangladesh Bank), 4 state-owned banks, 5 Government-owned specialized banks, 30 Domestic Private Commercial Banks, 9 Foreign-Commercial Banks, and 29 Non-Bank Financial Institutions (Siddiki 2011).

Although telephone banking was started in Bangladesh in the 90's but later on the process is discontinued. Mobile banking has started its services from 2011which is now the most promising banking system in Bangladesh. Now Bangladesh is in the beginning of internet banking system which is offering better advantages than traditional banking (Imshadman 2013).In Bangladesh, A total of 159 Internet Service Providers (ISPs) have now been connected with this system of which 64 are actively providing services. Internet connection is slow with bandwidth range 32 kbps to 56 kbps for dial up and 64 kbps to 8 mbps for broadband in this country (Baten, 2010). Many studies have been conducted around the world to find out the reasons behind the adoption of internet banking.

Chong. Ooi. Lin& Tan (2010) believed that trust of online users mostly depend on the security and privacy of websites. According to Rahman (2009), though internet banking helps customer to accomplish transactions from any terminal, some core banking activities like cross border transactions and fund transfer to third parties are still absent in internet banking service of Bangladesh.

Hossain (2000) stated that easy and affordable access to Internet services are basic reason for internet banking adaptation. Susanto & Zo (2011) mentioned trust, security and privacy, consumer satisfaction, loyalty have greater importance for incorporating a successful e-

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business predominantly in internet banking. Kolodinsky, Hogarth & Hilgert (2004) indicated that Income, education, gender, marital status, and age of customers have an impact on adaptation of internet banking. Kim & Pravakar (2004) revealed that a significant relationship exists between initial trust in the electronic channel and the adoption of Internet banking. The author also mentioned that banks must ensure that the services are simple, easy to use and sufficiently high quality for ensuring customer satisfaction in order to maintain online customers. According to Rashid & Hassan (2009), Convenience was one of the factors which motivate the customers for adoption of internet banking for getting better services against their valuable money. Chan and Lu (2004) revealed that computer self-efficacy and perceived ease of use indirectly play significant roles in influencing the intention to adopt Internet banking among consumers.

So we can see that many studies have been conducted on the adoption of internet banking services around the world. Different studies used different variables. But in Bangladesh no significant studies have been conducted focusing only on the internet banking services. There are many papers on e-banking services in Bangladesh. But internet banking is one part of e-banking. So our study will provide a focused idea about adoption of internet banking services in the private banking sector of Bangladesh. Moreover, some significant factors like promotional awareness and status were not revealed in past studies, which has been confer in this research paper. Most updated information is gathered for analysis which was a limitation for previous literatures.

3. Research Methodology

To conduct the study which has given special emphasis on customer adoption of internet-banking of Bangladesh, quantitative data has been collected that belong to descriptive research. For the purpose of the study data has been collected from primary and secondary sources.

Primary data has been collected on nine variables after reviewing the literatures. The variables are promotional awareness, cost, easy of operability, security, accessibility, time, privacy, convenience and Status. In our study we collected data primarily focusing on the private banking sector in Dhaka city. The Secondary data is collected from different sources to complete the research successfully. Such as: Available literature review of previous researcher on this particular subject has been assessed for preceding the research.

In this study, 7 point Likert Scale technique has been used. Structured questionnaire has been used to collect data from the users of Internet banking services of private banks of Bangladesh .The field work was done personally. Anderson (2004 p: 6.,) states that appropriate form of the questionnaire is crucial in survey method as they impact on how the researchers uses the gathered data. Data has been collected from some Dhaka based private commercial banks. Those are Dhaka Bank Limited, Trust bank Limited, Eastern Bank Limited, BRAC Bank Limited & Bank Asia Limited in the year of 2013. A total of 100 questionnaires were distributed to customers of private banks for survey. The collected data has been evaluated through statistical analysis and investigated among hypothesized variables using SPSS software.

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The respondents in the sample were chosen through judgmental sampling. Frequency distribution and multivariate analysis has been conducted to accomplish the objective of this research. Among the multivariate analysis multiple regressions have been conducted. The regression model that is developed for this study used independent variables that are different from the previous study. So this study will provide an idea about new independent variables that affect the adoption of internet banking.

3.1 Research Hypothesis

The nine alternative hypotheses for this study are:

Hypothesis 1: Awareness significantly affects the adoption of internet banking.

Hypothesis 2: Cost affects the adoption Internet banking.

Hypothesis 3: easy of operability affects the adoption of Internet banking.

Hypothesis 4: Privacy affects adoption of Internet banking.

Hypothesis 5: security affects the adoption of Internet banking.

Hypothesis 6: Accessibility affects the adoption of Internet banking.

Hypothesis 7: Time affects the adoption of Internet banking.

Hypothesis 8: Increased Status is associated with the adoption of internet-banking.

Hypothesis 9: Convenience affects the adoption of Internet banking.

4. Data Analysis and Findings

4.1 Reliability

To test the reliability and internal consistency of the sample we calculate cronbach alpha coefficients.

Table 1: Result of Cronbach's Alpha

Cronbach's Alpha
.718

The results indicate that the survey has good internal consistency, with cronbach alpha coefficients of .72. The value above .70 indicates the scale is reliable with the sample. (Pallant 2001)

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4.2 Descriptive Statistics

Table 2: Mean and Standard deviation

Variables	Mean	Std. Deviation	N
Promotional awareness	4.8500	1.19236	100
Cost	4.5900	1.42201	100
easy of operability	5.0600	1.21289	100
Privacy	3.540	1.7776	100
Security	3.2100	1.49271	100
Accessibility	5.2100	.92436	100
Time	6.4200	.71322	100
Status	5.2900	.93523	100
Convenience	5.4200	1.10261	100

From the above table we can see that that mean of time is 6.4200 with a standard deviation of 1.19236 which means that average people think that internet-banking saves time. Moreover, means of easy of operability, accessibility, status and convenience are above 5. This indicates that internet banking is easy to operate, easily accessible, increase status and convenient. On the other hand, means of cost and promotional awareness are 4.8500 and 4.5900 respectively. This indicates, promotional awareness does not affect internet banking adoption significantly and cost of using internet banking is high. Last of all means of privacy and security are 3.540 and 3.2100 respectively. This indicates that privacy is protected in internet banking and it is secure.

4.3 Multicollinearity

Multicollinearity indicates a strong correlation between independent variables. The correlations among independent variables are given in below:

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Table 3: Correlation Matrix

	Promotional awareness	Cost	Easy of operability	Privacy	Security	Accessibility	Time	Status	Convenience
Promotional awareness	1.000	.386	-.071	-.324	-.459	.295	-.020	.166	-.036
Cost	.386	1.000	-.120	-.087	.060	.274	.022	.288	-.037
Easy of operability	-.071	-.120	1.000	-.039	-.258	.376	.204	.074	.495
Privacy	-.324	-.087	-.039	1.000	.593	-.100	.138	.032	-.137
Security	-.459	.060	-.258	.593	1.000	-.091	.125	.274	.087
Accessibility	.295	.274	.376	-.100	-.091	1.000	.340	.291	.438
Time	-.020	.022	.204	.138	.125	.340	1.000	.224	.480
Status	.166	.288	.074	.032	.274	.291	.224	1.000	-.012
Convenience	-.036	-.037	.495	-.137	.087	.438	.480	-.012	1.000

From the above correlation matrix it is evident that variables are not highly correlated with each other. Only privacy and security is moderately correlated with each other. So multicollinearity is not a problem. Moreover the result of KMO test is given in below:

Table 4: Result of KMO Test

KMO Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.346

The value of KMO test is .346 which is less than .5. So multicollinearity is not a problem and factor analysis is not appropriate. For this reason factor analysis has not conducted. (Malhotra & Dash 2010)

4.4 Regression Model

The regression model for our study is given in below

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$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + e_i \text{ (Error term)}$$

Or we can write the equation in following way using the name of the variables:

Adoption of Internet banking = $\beta_0 + \beta_1$ Promotional awareness + β_2 Cost + β_3 Easy of operability+ β_4 Privacy + β_5 Security + β_6 Accessibility + β_7 Time + β_8 Status + β_9 Convenience + e_i .

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804	.646	.611	.61107

Predictors: (Constant), convenience, status, Privacy, Cost, Promotional awareness, easy of operability , time, accessibility, security

Dependent Variable: Adoption of Internet banking

R^2 suggest the strength of association between dependent variable and independent variables. When the value of R^2 exceeds .5 then it suggest a moderate association between dependent variable and independent variables. The value of R^2 above .8 suggests strong association between dependent variables and independent variables. From the above table we can see that value of R^2 is .646 which means that dependent variable is moderately associated with independent variables.64.6 % of variance in dependent variable is explained by independent variables. (Malhotra and Dash 2010)

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Table 6: Standardized coefficients and Hypotheses testing

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	1.498	.706		2.121	.037
Promotional awareness	-.141	.075	-.172	-1.889	.062
Cost	.106	.051	.154	2.079	*.040
Easy of operability	.562	.078	.696	7.213	*.000
Privacy	-.065	.053	-.118	-1.221	.225
Security	.247	.083	.377	2.963	*.004
Accessibility	.217	.087	.204	2.488	*.015
Time	-.234	.110	-.170	-2.133	*.036
Status	.248	.089	.237	2.791	*.006
Convenience	-.175	.095	-.197	-1.842	.069

a. Dependent Variable: Adoption of Internet banking

Using the values from the above coefficients table our regression model becomes following:

$$\text{Adoption of Internet banking} = 1.498 + (-.172 \text{ (Promotional awareness)}) + .154(\text{Cost}) + .696 \text{ (Easy of operability)} + (-.118(\text{Privacy})) + .377 \text{ (Security)} + .204(\text{Accessibility}) + (-.170(\text{Time})) + .237(\text{Status}) + (-.197(\text{Convenience})) + e_i$$

Standardized coefficients calculated for each predictor variables, shows the percentage of variation in the dependent variable caused by the individual independent variable .From the above table we can see that Cost ,Easy of operability, Security ,Accessibility, Time and Status are significant at 5% level. So the null hypotheses that cost, easy of operability, security, accessibility and status do not affect the adoption of Internet-banking are rejected. The Standardized beta coefficient for easy of operability is .696 which means easy of operability is an important variable that affects the adoption of Internet banking. The second important variable is security. The Standardized beta coefficient of security is .377, which is significant at .000. The third important variable is status, which affects 23.7% of adoption of Internet banking. Then the variables that affect adoption of Internet banking are accessibility, time and cost respectively. Moreover time is negatively related with adoption of Internet banking. The null hypotheses that promotional awareness, privacy and convenience do not affect the adoption of e- banking are accepted because they are not significant at 5% level.

5. Limitations of the Study

This study is not without limitations. The scope of the study was constrained by limited available self-funding. Also the large scale research was not possible due to time constraints. Biased information may be collected from the sample which could be a major limitation for this research. In this paper, the opinions are considered and judged from the customer's perspective, not from the bankers of Bangladesh. Sample size is not enormous enough to make the reliability of data strong in this investigation. Only 100 respondents have been surveyed from the five private banks of Bangladesh.

6. Conclusion and Recommendation

Key objective of this study was to identify the factors affecting the adoption of internet banking by customers in Bangladesh. This research also measured the most important variables influencing customers adoption rate in perspective of private banking sector of Bangladesh. Recently, In order to cope up with the changing technology, most of the banking systems of Bangladesh pursuit internet banking services keeping in mind to hold up their position in the global competitive market. They are also providing better services that customers expect in the twenty first century. Like many developed and developing countries, Bangladesh has witnessed a phenomenal growth in accessing digital technology particularly using the Internet. Although facing many constraints in establishing an internet-dependent society, Bangladesh Government has paid utmost priority to develop the Information Technology usage pattern in her different sectors (Azam, 2007).

Banking institutions are now considered as an integral part of the Bangladesh economy. The high rate of usage of internet banking will help to conduct sustainable development of Bangladesh. Under this scenario, as a part of government decision of building digital Bangladesh, the existing capabilities of ICT sector is likely to increase rapidly in bringing all upazilas under internet services. This will contribute in widening the scope of e-banking throughout the country. The different survey of current banking system in Bangladesh reveals the fact that it requires rapid modification and adaptation to keep harmony with the world economy business. Now a days it becomes more obvious by observing the increased number of customers in some modern banks. In the context of Bangladesh, a country of more than 140 million people, it is to be realized that there is no other option for us than to join the current trend. Otherwise it is almost impossible to bring any sort of fruitful achievement for the country.

This study provides an insight into the customer's perception of factors influencing internet banking adoption in Bangladesh. This investigation helps to explore corporate customer's internet banking adoption behavior and also how Internet banking has changes the way of services provided by the banking sectors to their customers. Furthermore, several recommendations are given below which will be advantageous for bankers and related authorities for enhancing customer usage rate.

- Banks should provide quality services online to build customer loyalty and for better branding and better responsiveness to the market.
- Customers should given the option to check the security as if they have any doubts about

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the site's validity, they should check the address in the address bar via the internet browser.(such as: <http://>)

- Encourage and educate the customers and giving guidance for safe using of internet banking.
- Bankers should use more promotional activities to attract customer for encouraging higher adaptation rate.
- As most of the customers of Bangladesh specially the older generations are not familiar with internet banking usage, sites should be made more user friendly.
- Every update and changes in customer accounts should be informed online customers as soon as possible. It differentiates internet banking from the physical banking where customers have to go to the bank to check the updates.
- Government authorities as well as banks should take security of internet banking into serious consideration and they should implement more advanced encryption methods to prevent security intrusion.

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Appendices

Table-1: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	61.394	9	6.822	18.269	.000
Residual	33.606	90	.373		
Total	95.000	99			

Frequency

Table 2: Gender

	Frequency	Percent
Male	53	53.0
Female	47	47.0
Total	100	100.0

Table 3: Age

	Frequency	Percent
20-24	46	46.0
25-29	24	24.0
30-34	15	15.0
35-39	5	5.0
40-44	5	5.0
41-45	5	5.0
Total	100	100.0

Table 4: Occupation

	Frequency	Percent
student	43	43.0
Service holder	32	32.0
Businessmen	8	8.0
Housewife	7	7.0
Other	10	10.0
Total	100	100.0

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Table 5: Customer's feedback (In %)

No.	Statement	Extremely Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Extremely Agree
	Adoption of Internet banking in Bangladesh is occurring quickly	----	----	12%	26%	47%	10%	5%
	Awareness significantly affects the adoption of Internet banking	----	5	10	12	48	18	7
	Cost of using Internet banking services is not high	5	2	14	20	31	23	5
	Internet banking is easy to operate	----	2	15	8	30	40	5
	Privacy is not protected in Internet banking	7	26	30	10	7	10	10
	Internet banking is not secure	7	29	32	15	7	5	5
	Internet banking is easily accessible	----	----	2	18	47	23	10
	Internet banking saves time	----	-----	-----	-----	13	32	55
	Use of Internet banking increase status	-----	-----	-----	23	35	32	10
	Internet banking is convenient to use	-----	-----	7	5	49	17	22

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Questionnaire

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1. Name of the Respondent

.....

2. gender : 1 Male 2 Female

3. Age

1 20-24 2 25-29 3 30-34 4 35-39 5 40-44 6 45-50

4. Occupation

1 Student 2 service holder 3 Business 4 Housewife

5 Other

5. Name of the Bank Where you have account

.....

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Please tick (✓) the right choice

#1=Extremely disagree, 2= Strongly Disagree, 3= Disagree, 4= Neutral, 5= Agree,6= Strongly agree, 7= Extremely agree

No.	Statement	Extremely Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Extremely Agree
6.	Adoption of Internet-banking in Bangladesh is occurring quickly	1	2	3	4	5	6	7
7.	Promotional awareness significantly affects the adoption of e Internet - banking	1	2	3	4	5	6	7
8.	Cost of using Internet -banking services is not high	1	2	3	4	5	6	7
9.	Internet -banking is easy to operate	1	2	3	4	5	6	7
10	Privacy is not protected in Internet -banking	1	2	3	4	5	6	7
11	Internet -banking is not secure	1	2	3	4	5	6	7
12	Internet -banking is easily accessible	1	2	3	4	5	6	7
13	Internet -banking saves time	1	2	3	4	5	6	7
14	Use of Internet -banking increase status	1	2	3	4	5	6	7
15	Internet -banking is convenient to use	1	2	3	4	5	6	7