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FUTURE FORWARD: BANKING ON YOUNGSTERS TO CREATE VALUE

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ABSTRACT

Internet can provide service with speedy, timely and also convenient to customer and meet customer's needs. In this research, we can provide more details on youth market' needs and try to overcome it. When the internet banking service is rapidly develop in recent years, competitive among banks in providing internet banking service is keep increasing. Banks are trying hard to serve better service to gain advantages. Among all age of customers, youngster is the most potential customer for banks because they are potential customer in the future. Beside, their perceived internet banking service is faster compare to older generation.

Keywords: Internet, Customer, Youth, Marketing, Services, Banks.

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Contribution/ Originality

This study is one of the few studies which have been investigated and will give positive influence on young consumers' intention to use Internet banking. Hence, bank practitioners should focus on increasing usefulness of Internet banking system and bankers could take into account the stimulation of youth market for internet banking service.

1. INTRODUCTION

Banks use Internet banking technology to meet the increasing competition. It has become a strategic resource to achieve greater efficiency in place, action to control and reduce the cost of paper based and labor intensive methods and automated processes resulting in higher productivity and profitability. Internet bank service providers provide timely, rapidly, accurate and convenient banking institutions selling opportunities and providing individual needs to their customers and offering customized products. Banks had also provided additional sales channels,

so that their financial institutions provided services and sell products to respective targeted customers.

Nowadays the younger generation is lazy to queue just for simple banking transactions. Providing convenience is the most important factor that will influence the youngster to use the internet banking service. Next is the perceived risk of youngster, if the risk is too high they will not continue to use the internet banking service. Besides, charges on internet banking service are one of the key issues that influences youngster, so the internet charges must be reasonable. Service quality should be better when compared to others banks because the loyalty of customer was depended on the service quality provided by the particular banker. The dynamism of the youth is reflected in the products and services made popular by them such as Facebook, iTunes and text messaging

2. BACKGROUND STUDY

Growth of Internet banking has taken astounding heights in the last decade of the twentieth century. Internet banking has developed in more than 70 countries which are more than 5,000 different computer networks. [Karjaluoto *et al.* \(2002\)](#) indicated that the rapid growth of technology, people have evaluated and learnt the usage, experienced the advantages of Technology in banking.

Since the growth of online services all the commercial banks in Malaysia have been providing internet banking services. [Gurau \(2002\)](#) had indicated that Internet banking or online banking is well known nowadays. According to [Dawes and Brown \(2000\)](#), traditional services provided by bankers do not meet the changing demands of the customer nor the operational environment. To meet the service requirement of financial institutions, Internet banking service had tried to replace the traditional deposit service functions of bank employees in brick and mortar type of bank services. Through operated by their retail or virtual bank, credit card union or building society, internet banking had allowed customers to conduct their financial transactions on a secure website. The internet banking has provided banks with a competitive advantage through improving the quality of customer services and reducing the operational costs as indicated by [Katz and Aspden \(1997\)](#) and [Furst *et al.* \(2000\)](#).

The growth of internet banking is most common in developed countries where there is the availability of computers and easily access to internet has made banks easily adopt internet banking. Internet banking allows customers to access their accounts through internet and to control their bank accounts continuously as long as they have access to internet facilities.

3. PROBLEMS STATEMENT

Due to the rapidly increasing usage of internet banking service, banks are undergoing global changes. With high technology, high innovation and creative people, has influenced all the younger generation nowadays. Almost all the youngsters know how to use the internet to search

online or use the internet as an important facility in their daily lives. While, some youngster who lack knowledge the internet, do not know how to use the computer to search online would left out in the fast changing internet banking world. Secondly is the risk perceived by them is using the internet facility for banking when compared with the brick and mortar traditional service. Fraud is the most popular activities done by illegality. Although technology is rapidly developed in the world but they are still have blemish on it. Because the accessing of web site of the particular bank is not so good so the time needed to log in the web page of particular bank is too slow. Youngster will not be satisfied with these services due to the lacking of technique and they would then avoid using the internet banking service once internet banking service had shading them.

Competition among banks makes people to have plenty of choices to choose from as mentioned by [Suganthi and Balachandran \(2001\)](#) . Based on the services provided, they would use the internet banking service provided by the banker. Many youngsters nowadays are looking for the best service quality to satisfy their needs of the particular bank. If the bank cannot provide any service then they would switch to other banks to those who are providing better service quality as mentioned by [Furst et al. \(2000\)](#).

4. RESEARCH OBJECTIVE

The objective of this paper is to investigate the youth market for internet banking service through their perception, attitude and behavior.

- To determine if youngsters' perceived ease of use as a criteria to use the internet banking.
- To identify the risk perceived by youngster and how bankers had lowered down the risk by developing some effective ways to capture the youth market.
- To understand the costs of using internet banking technology to influence youngsters using internet banking service.

5. LITERATURE REVIEW

5.1. The Youth Market for Internet Banking Services

Based to age segmentations, financial institutions the commercial banks had developed different products and services which were more suitable for their needs based on their age stage ([Lewis and Bingham, 1991](#)); [Lewis \(1982\)](#) and [Lewis and Bingham \(1991\)](#). Young people nowadays emphasize on material wealth more and pay less attention on their expense rather than on savings, and acknowledge that money is very important for individual success ([Lewis et al., 1994](#)).

[Crisp et al. \(1997\)](#) had showed that the older generation had found it hard to learn new technology moreover using a computer to serve internet banking service although it is convenient but they do not want to exert their cognitive and emotional effort for the learning of the new technology. Youngsters are an important segment in the internet banking services users

(Katz and Aspden, 1997). Besides youngster and people aged between 30-39 years is the second biggest segment which has more positive acceptance towards internet banking compared to aged 40-49 years and aged 50 years above. For those aged 30-39 years, have stability in their job and most of them are already in their midst of their careers for few years. So, the financial service industry is normally interested in customers who are aged between 30-39 years.

As for the future, attracting the youth generation should start now and will be more valuable and profitable in the future because all these young generation of people will be potential customers as indicated by Lewis and Bingham (1991). Although the youth customer's income is low when compared to aged 30-39 years, but their purchasing power is very high. Vinh Sum and Liqing Ngai (2010) had found that young customer are the main contributors of future revenues of internet banking, so it is important to attract them to become loyal customer today. Subsequently, with the increasing usage of the internet banking service, should deliver product and services based on their needs and to provide better services.

5.2. Convenience

Convenience can be defined as it is suits the customer's needs or the goal need, very suitable related facility or reduces the use, or it will makes customers feel good, relaxed or is comfortable while using the service. Internet banking growth has the reason; peoples nowadays are accustomed to conduct their banking services using the internet as indicated by Eriksson *et al.* (2005). This avoids customers spending their time standing in a crowded bank lines to perform simple transactions. They can enjoy the convenience doing on-line banking and having the control over their money. As indicated by Davis (1989).

5.3. Perceived Risk

Pavlou (2002) thought that uncertainty risk faced by the bank customer will give arise to customer having second thoughts about any subsequent purchase decisions. The bank customers relate the security risk with the loss of money from their bank account or fraudulent use of their credit card account and compromising with their secret numbers, and password. The customer often increases their purchases only if they thought that the credit card and other information were secure. Past research demonstrate that the consciousness security risk is an important predictor of internet banking service as mentioned by Sathye (1999) and Campbell (1999).

5.4. Costs

To gain competitive advantages in internet banking services, as a banker, have to improving their customer service, increasing market reach, and reducing costs as indicated by Malone *et al.* (1989). Subsequently, the main factors that affect customer perceived value about internet banking service is the costs/prices and gain competitive advantage through cost reduction as highlighted by Carrington *et al.* (1997); Kassim and Abdullah (2006) and Niels Peter (1999).

5.5. Service Quality

Commercial banks can provide better products and service, besides increasing customer satisfaction, and at the same time reduce transaction cost as indicated by Bielski (2000); Booz *et al.* (1997); DeSourdy (2001). Electronic commerce has changed the relationship between banker and the customer. Commercial banking is one of the sectors that was affected most seriously as indicated by Methlie and Nysyeen (1999) and the internet transactions had become the trusted mainstream delivery system in commercial banks as indicated by Windham (2000) and Kassim and Abdullah (2006).

6. THEORETICAL FRAMEWORK

For this research, dependent variable is youth market for internet banking service. Independent variable is the variables that influence the dependent variable in either positive or negative way. There are four independent variables include convenience, risk, costs, service quality. While gender and age is the moderating variables. The framework was formulated based on the relationship between independent and dependent variables. Each of those independent variables being determined and the dependent variables can be developed.

7. RESEARCH DESIGN

The target population was 200 undergraduates' students. The questionnaires survey was convenience method. The data collected using the questionnaires were based on the public impressions especially how these factors affected the youth market for internet banking service. Section A of the questionnaire mainly focuses on the demographics area of the respondents which included their gender, age, nationality, race, marital status, education level and monthly income as well. This part was important in order to have a balance mean of all demographic background. Section B was general information. Then, the hypothesis was divided into the four independent variables such as convenience, perceived risk, costs, and service quality and the dependant variable was youth market and the usage of internet banking services to do their transactions.

8. RESEARCH HYPOTHESES

H1 Young customers' perceived convenience is positively associated with their perceived ease of use of internet banking service.

H2 Young customers' perceived risk is negatively associated with their perceived usefulness of internet banking service.

H3 Young customers' perceived costs charge is negatively associated with their satisfaction towards the internet banking service.

H4 Young customers' perceived service quality is positively associated with their loyalty towards the internet banking service.

Primary data is the first hand information which was collected, based on observation and experiences. This research used questionnaire method to collect the necessary data. The data analysis was carried out by using Statistical Package for Social Science (SPSS) software. The data was tested for Pearson correlation analysis, Cronbach’s alpha, t-test, descriptive statistics, and multiple regressions.

9. DATA ANALYSIS

9.1. Reliability Analysis

To measure the reliability coefficient of the data, Cronbach’s alpha was used to measure the internal consistency that is to measure how closely the items were related as a group. The table below shows that all variables had a score of above 0.70 in Cronbach’s Alpha analysis. This result showed that there was a high level of reliability. Generally, correlation of 0.70 and above would be considered acceptable as indicated by [McKnight and Chervany \(2002\)](#).

Table-1. showing Cronbach’s Alpha values

Variable	Number of Item	Cronbach’s Alpha
Convenience	5	0.713
Perceived risk	5	0.726
Costs	5	0.818
Service quality	5	0.714
Opinions of the quality, satisfaction and loyalty to the IBS	4	0.713

9.2. Hypothesis Testing

Next the T-test, ANOVA and Pearson correlation analysis was tested the significant different in terms of 200 respondents.

9.3. T-Test

T- test was used to study the differences between gender and youth market for internet banking service. The table below shows that there was a significant difference between male and female who used internet banking service equal to 0.05.

Table-2. showing T-Test -factors in relation to gender

Factors	Gender	N	Mean	t-value	Sig. Value (2 tail)
Youth market for internet banking service	Male	91	3.3599	1.969	0.050
	Female	109	3.1927		

9.4. One-Way ANOVA

One-way ANOVA was used to analyze the youth market for internet banking service between the four age groups to be compared which are: 1) 18-19, 2) 20-21, 3) 22-23, 4) 24-25. The ANOVA test of the four groups' youth market for internet banking service showed that the four groups are differ significantly in youth market for internet banking service ($F(3,196) = 4.889$, $p = .003$). Therefore, we can conclude that the people of different age have different attitudes toward youth market for internet banking service.

9.5. Pearson Correlation Analysis

Pearson correlation coefficient analysis was carried out to determine the relationship between dependent and the four independent variables. The value for Pearson's showed between +1 to -1. A correlation of +1 means that a perfect positive linear relationship between the variables.

Table-3. shows the summary of the Pearson Correlation Analysis

	Youth market for internet banking service	Convenience	Perceived risk	Costs	Service quality	Significant Value
Youth market for internet banking service	1.000	0.500**	0.185**	0.282**	0.141*	
Convenience	0.500**	1.000	0.139*	0.069	-0.081	0.000
Perceived risk	0.185**	0.139*	1.000	0.583**	-0.182**	0.009
Costs	0.282**	0.069	0.583**	1.000	-0.191**	0.000
Service quality	0.141*	-0.081	-0.182**	-0.191**	1.000	0.046

As summarized in the table above, all the independent variables have a strong association with youth market for internet banking service which significant value is less than 0.5. The results showed that H1, H2, H3, and H4 were accepted and all variables will affect the youth market for internet banking service.

9.6. Multiple Regressions

Multiple Regressions was carried out in this research to identify the influence of independent variables towards youth market in relation to internet banking service. The largest beta value (ignoring the negative and positive signs) means that the variable had made the strongest contribution in explaining the dependent variable.

A Total of 36.7% of variation in youth market for internet banking service can be explained by variation in convenience, risk, costs, and service quality. Convenience, costs, service quality were positively associated with youth market for internet banking service, while perceived risk was negatively associated with youth market for internet banking service. The R was 0.605^a, R²

0.367, F was 28.216, where the significant showed as 0.000, df regression of 4 and the residual of 195.

Table-4. shows the multiple correlation coefficients results

Youth market for internet banking service	Beta	t	Significant Value
(Constant)		1.817	0.071
Convenience	0.501	8.692	0.000
Perceived Risk	-0.018	-0.254	0.799
Costs	0.303	4.300	0.000
Service Quality	0.237	4.060	0.000

Multiple correlation coefficients between convenience, perceived risk, costs and service quality to internet banking service, where the coefficient of determination (R square) of the model was 0.367, indicating that the youth market for internet banking service was up to 36.7percent and $F(4,195)=28.216$ being significant at $p<.000$. The higher the R-squared value it showed greater relationship with internet banking service. Therefore, there was evidence that convenience, costs and service quality had significantly affected the youth market for internet banking service. Whereby the second variable which was perceived risk had failed to meet the youth market for internet banking service, as indicated by the non significant t-value ($p>0.05$).

10. CONCLUSION AND RECOMMENDATION

The first object of this study was to determine the relationship of convenience of using internet banking services to the youth market. As for the first hypothesis the results indicated that convenience was associated with higher perceived ease of use of internet banking services. Objective two of the study was to identify the risk perceived by youngster. The results indicated that perceived risk as negatively associated with their perceived usefulness on internet banking services. In the third objective of this study was to understand if costs of using internet banking had an influence on the satisfaction of youngsters using internet banking services. The results indicated that youth customers perceived cost charge as negatively associated with their satisfaction towards the internet banking service. This could also be due to customer satisfaction towards the internet banking services is high but the perceived cost charge was lower for youth when compares to adults and particular banks were satisfied with the youth market. The last objective of this study was to investigate the importance of service quality had led to customer loyalty a mentioned by [Gerrard and Cunningham \(2003\)](#) . The results had indicated that the youth market had a positive relationship between the service quality and their loyalty. The higher the service quality perceived by the youth market related to an increase in the loyalty towards internet banking services.

In the final conclusion bankers, should develop more services that can provide convenience for customers such as mobile banking. However, based on the findings, respondents are seldom

heard about the information or latest service provided internet banking from media. Thus, bankers should publicise the information or latest service provided internet banking through mass media to create awareness of customers.

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