

Understanding the factors affecting adoption of online banking services

¹Mr. Rohit Mahajan,²Dr. Vinod Kumar

¹Research Scholar,²Associate Professor

¹Management,

¹Amity University, Noida, India

Abstract : This paper is based on the various factors affecting online banking. Online banking is the banking service, which facilitates the banking transactions. It provides more security to all the bank customers regarding their financial transactions and personal accounts. It also provides security to the bank employees as well as financial institutions regarding their financial and business transactions. Online banking has brought a new revolution in the banking aspect and has indentured the banking system. Initially there were a lot of issues regarding online adoption of banking, but with the passage of time, it has become the best and fastest service for both bank employees as well as bank customers. Online banking is affected by a lot of factors such as: Efficient and Reliable Services, Security, aesthetic, online responsiveness, ease of use, website navigability, factors like education and knowledge of computer etc.

IndexTerms - Banking Service, Demographic, Ease, Efficient, Financial Transactions, Responsiveness, Security.

I. INTRODUCTION

Online banking is a fast service being used in banking sector. Now a day, every person wants to save time and quick delivery of services for each aspect. Online Banking is the quickest method of doing various banking transactions. Various financial institutions and business organizations have changed their traditional pattern of banking to online system. Consequently, online banking is being implemented by most of the persons in each small firm and big organization gradually.

E-Commerce has emerged out from advanced technology and Globalization, due to which electronic business transactions have been increased (Ibrahim et al., 2013). A very large variety of E-Business opportunities are being provided to most of the businessmen and entrepreneurs. E-Commerce has strengthened the online banking services and increased the online banking users. Customers are taking keen interest in online banking and are doing most of the transactions smaller as well as bigger via online banking.

Online Banking has made all the financial accesses easy and comfortable. Various financial institutions, customers and businessmen can easily access their accounts and can make different types of transactions easily using online banking (Singhal & Padhmanabhan, 2008). The major issue in online banking is safety. Everyone wants his banking information to be kept safe and secured. While performing any financial transaction, everyone wants the passwords not to be disclosed and all OTP's and other bank information to be secured and to be personalized.

Highly Potential customers are being delivered services by newly developed techniques through online banking (Mobarek, 2009) with highly developing technology (Rahman et al., 2014; Talukder, 2011, 2014).

Ecommerce and internet- Many financial institutions have prioritized E-Commerce and Internet. A lot of new services are being provided through E-Commerce and Internet. Small Banks can easily cope up with the competition in the market with the help of E-Commerce and Internet.

A customer can easily get personal banking transactions via internet banking or mobile banking (Arun chalam and Siva Subramanian). Financial Institutions can use Internet Banking as an intermediary for enabling online services. Every time the entities providing online banking may not succeed. Apart from it, many financial institutions are getting a lot of benefits through internet banking and organizations adopting E-Banking would succeed in future, however some failures may occur due to less creative web-designs. Consequently, the significance of internet is growing in banking.

Online Banking-In Retail Banking Services, one of the conventional phase is online banking. Banks have changed their traditional system to online system and increased their operations effectively and efficiently by cost cutting with the help of online banking. Due to development of technology, many banks are introducing Electronic Banking System and Information System to interact with customers.

Security and Safety are the major issues faced by Banks in online banking to get customer trust and hence getting customer retention. Most of the customers hesitate to use online banking because of safety and security (Lee and Turban). Security issues are the main cause behind customer dissatisfaction. For the success of any product or service, the customer satisfaction and customer acceptance, must be positive. Customer dissatisfaction and resistance result in failure of market innovation (Ram and Sheth).

Electronic Banking means delivery of banking products and services electronically i.e. through ATM's, Credit Cards, online etc. Financial Institutions, Companies and Banks can easily make transactions among themselves through e-banking or electronic banking. Banks can easily connect with customers and can control their financial transactions by using Electronic Banking only. The advanced way of dealing customers is Electronic Banking which consists of different distribution channels.

Conception of online banking: Online Banking Services were firstly started in New York. Then gradually these services were started in other countries. Now these days, online banking has been adapted by most of the Indian Banks and other financial institutions. Most of the Indian Bank customers are preferring online banking services as compared to traditional banking services. It is because of quick response and less time consuming by online banking services.

II. RESEARCH METHODOLOGY

This is a qualitative study based upon review of some Research Papers on Online Banking. About 20 good Research Papers based related to online banking have been reviewed and the various factors affecting adoption of online banking have been extracted.

Objectives of Study:

1. To study the factors affecting adoption of Online Banking System.
2. To study the impact of different factors on each other.

Type of Research Design:

A Descriptive Research Design has been used for the study in which different factors affecting adoption of online banking have been extracted by reading different research papers related to online banking and these factors have been described in detail.

Data Collection:

The secondary data has been used through internet and some good journals.

III. FACTORS AFFECTING CUSTOMER'S ADOPTION OF ONLINE BANKING

There are a lot of factors affecting adoption of online banking. The major factors are:

- 1. Innovativeness:** Customers are always keen for using innovative techniques for banking transaction. So customer's keenness to use most innovative banking services leads to their adoption of online banking.
- 2. Prosperity to Trust:** Another major factor affecting adoption of online banking by most the customers is prosperity to trust. Prosperity to trust means that customers' willingness to trust when they are fully connived and highly satisfied or delighted with the services provided by the bank or any financial institution. The customers' trust on online banking can be built up with the surety of safety and security. All the customers want the online transactions made by them must be safe and secured. The passwords and OTP's generated must be personalized for the customers only to avoid any leakage of personal information publically.
- 3. Social Influences:** There are some social influences also, which can lead to adoption of online banking. Major Social influences are: more friendly groups influencing for online payments, cooperative banks and societies influencing for E-Banking and online financial transactions.
- 4. Structural Insurances:** The structural insurances also put an impact on the adoption of online banking services. Structural insurance is the insurance provided to the customer regarding the structure of the system. Customers can easily adopt the flexible structured system. Online Banking System provides structural insurance to the customers as in this system a customer can easily do the transactions at anywhere in the world; there is no space constraint. Most of the banks and other financial institutions provide personal insurances to the customers on the usage of online banking services.

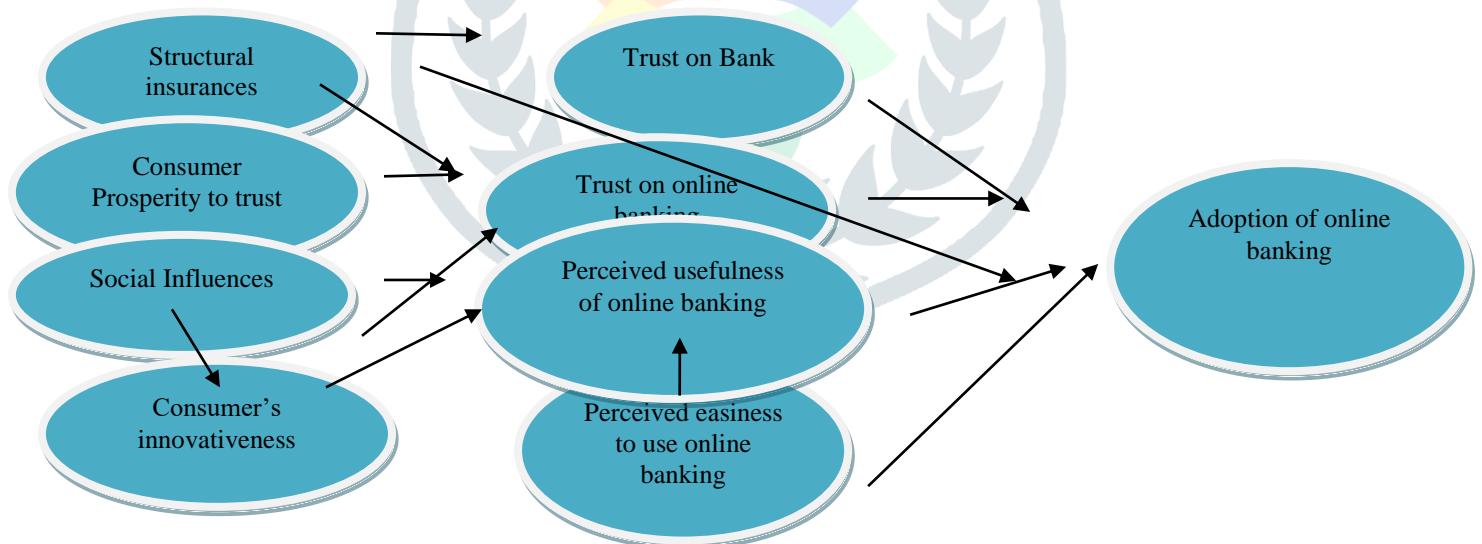


FIGURE1: FACRORS AFFECTING ADOPTION OF ONLINE BANKING

IV. LITERATURE REVIEW

In the modern era, each person wishes for getting the work done faster. It is the online banking, which helps people to get their work done faster as compared to the traditional methods of banking. Influence of Information on Online Banking, Channel

Convenience, Prior Internet Knowledge, Security Perception and Perceived Risk are the important factors to be considered while dealing with the online transactions.

In the modern era, a lot of E-Banking applications based on internet are being used (Liao & Cheung, 2003). According to Beckett, Hewer & Howcroft (2000), a very highly competitive market conditions have been created for banking service providers. A better recognition of customer is required as per the changing conditions of the market. (13, 14)

Demographics Characteristics

Banking Channels like internet banking's adaptability also depends upon demographic factors like education, status, income level e.g.: Highly educated people possess sound knowledge of computer, variety of information and high skills. (15). As per Research done in Turkey and Akinci et al. (16) customers, who come under middle age group perform more online banking transactions than younger and older customers. [17] High Class Customers take online banking as economically good and less time consuming tool.

Information on Online Banking

Customer's attitudes, Customer's belief and Customer Behaviour are to be focused upon by banks for better service providing as per preferences of customers. According to the **Shih and Fang**, banks must bring creativity and innovativeness in banking using online banking to help customers for doing transactions in their nearby location, which may help customers to do transaction like payment, account transfer, and create investment opportunities. Apart from it, banks can operate retail banking and hence can provide different services to customers by using computer and mobile. (6)

Perception of senior citizens:

A wide range of services are offered by Electronic banking which helps in customer interaction with their bank accounts and to make financial transactions virtually anywhere without time limits. The existing pattern of using traditional banking is being replaced by self service technology by Adult customers (Curran and Meuter, 2007) (13). According to Liao and Cheung (2002), expectations of accuracy, security, network speed, user-friendliness, user and convenience affect willingness to use internet banking. (18)

Security

Everyone wants security in their transactions and also not to waste their money and time (Ndubisi & Sinti, 2006; Fatima, 2011). Safety of personal account information and other bank related information is a very important element in online banking (Singhal & Padmanabhan, 2008).

Various security risks are associated with online banking viz; unauthorized access to account, which is dangerous for any of the person or financial institution. Mis-utilization of unsecured online transaction is also there. So third party should be trustworthy, who keeps the information of both; the person, who sends the money and the person, who receives the money (3).

Perceived easiness to use

Perceived Easiness to Use means the experience or easiness felt by customers to use online banking services. It also describes the convenience faced by most of the bank to do online financial transactions more frequently as compared to traditional system of banking. (Davis *et al.*, 1989, p. 985). By providing more easiness and convenience to the customers the Banks and other financial institutions can build good relations with their customers and consequently this good public relation results in more adoption of online banking (Rawashdeh, 2015). (21)

Perceived Risk

Risk is the negative results coming from utilization of products or services (Kim et al., 2008, P. 546), by which customer's trustworthiness may be impacted. Perceived Risk has a very strong impact on bank customers for adopting online banking (Claessens, Dem, De Cock, Preneel and Vandewalle, 2002; Reis, Gülseçen and Bayrakdar, 2011).

Information on Online Banking (IOB)

The basic pre-requirement before implementing the online banking system is the information on online banking (IOB). As online banking is a new innovative banking service and consequently it is a new experience for all the customers, so prior information regarding “how to use” is mandatory. According to **Sathye (1999)** low attention of online banking is a noteworthy hindrance in the adoption of online banking. In an empirical study of Australian consumers, **Sathye (1999)** found that the customers were not aware of the potential outcomes, favorable circumstances/burdens required with online banking. The amount of information consumers has about online banking has been recognized as a main consideration affecting the adoption. (21)

V. CONCLUSION

Online banking is affected by many factors like demographic factors like education and knowledge of computer, Efficiency, Reliability, Security and Ease of Use etc. Online Banking Services are quicker as compared to traditional banking services. Online transactions are dealt by considering the factors like channel convenience, prior internet knowledge, security perception and perceived risk etc. The focus of banking sector must be on beliefs, attitudes and behaviors of the customers which may help banking sector to provide services according to customer preferences. The primary concern of online banking is security as lack of security in online transactions may harm banking system. Perceived Ease of Use can influence users of computer. Uncertainty leads to perceived risk. Online responsiveness results in direct and fast contact with customers, which may lead towards more customers' satisfaction.

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