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A Study on E-Banking Along with Adult Customers - An Empirical Analysis in India

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ABSTRACT

Internet banking is a form of self-service technology. The numbers of Internet users have increased significantly, but most of them are unwilling to provide responsive personal information to websites because they do not trust e-commerce security. This paper investigates the factors which are moving the receiving of e-banking services among adult customers and also indicates level of concern regarding security and privacy issues in Indian context. Primary data were collected from 200 respondents, above the age of 35, through a structured questionnaire. The finding depicts many factors like security & privacy, trust, innovativeness, awareness, knowledge level increase the gutting of e banking services among Indian customers. The finding shows that in spite of their security and confidentiality concern, adult customers are willing to adopt online banking if banks provide his necessary guidance. Based on the results of the current study, Bank's managers would segment the market on the basis of age group and take their opinion and will provide them the necessary guidance regarding use of online banking.

1. INTRODUCTION

In the world of banking, the development of information technology has an massive effect on the development of more flexible payment methods and more-user friendly banking services. Internet banking involves, a consumer using the Internet to access their bank account and to undertake banking transactions. At the basic level, Internet banking can mean the setting up of a web page by a bank to give information about its products and services. At an advanced level, it involves the provision of facilities such as accessing accounts, transferring funds, and buying financial products or services online. This is called "transactional" online banking (Sathye, 1999). In spite of the great benefits of the online banking, it is extremely essential that banks regard the risks associated with it. One significant step that banks must take before going through any transformation is to insure the proper handling of online banking risk (Al-Alawi, 2005).

At particular risk rises with trying to integrate new channels with existing channels (Aljlfri et. al., 2003). In India, slowly but steadily, the Indian customer is moving towards Internet banking. But they are very concern about security and privacy of internet banking (Malhotra and Singh, 2009). In the Internet banking trust plays a very important role. It is very difficult to analyze trust as a phenomenon and may be almost impossible to analyze trust in the context of electronic commerce because of the complexity and risk of electronic commerce. Trust will be the decisive factor for success or failure of e-businesses. Karake Shalhoub (2002a and 2006b) has studied a number of US-based pure play firms to determine what she labeled trust enhances. Her findings identified two main categories: privacy and security as the main determinants of trust in electronic commerce. Privacy has long been defined as the right of a person to be left alone and to be able to have control over the flow and disclosure of information about him or herself (Warren and Brandeis, 1890).

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Worries about privacy are not new, although businesses have gathered information about their customers for years. However, privacy issues often come about because of new information technologies that have improved the collection, storage, use, and sharing of personal information

The Purpose of this paper is to gain an understanding of the acceptance of online banking in an Indian market where the 70% population reside in rural areas and 30% population reside in urban area of the country (Gerrard and Cunningham, 2003). This study explore acceptance of online banking in India from the point of view adult of customer above the age of 35 and investigate how adult customers perceive electronic banking services? As well as also depicts that what are the acceptance factors in spite of security and privacy concern between Indian customers? And what should be guidance provides by banks to customers that they can increase their willingness to adopt online banking? The answers to these questions are found through a simple survey of a random sample. In conclusion and recommendations are given based on the survey findings.

2. LITERATURE REVIEW

E-banking in India

In the recent years there has been an explosion of Internet based electronic banking applications (Liao & Cheung, 2003). Beckett, Hewer & Howcroft (2000) states that the emergence of new forms of technology has created highly competitive market conditions for bank providers. However, the changed market conditions demand for banks to better understanding of consumers' needs.

Electronic banking also commonly known as internet banking or e-banking. Internet Banking, defined as ‘‘the delivery of banking services through the open-access computer network (the internet) directly to customers’ home or private address’’. (Lau, 1997) has experienced phenomenal growth in recent years. In 2006, Pew Internet and American Life Project reported that nearly half of internet users in the United States – 63 million adults – bank online (Fox and Beier, 2006). In many ways, e-banking is not unlike the traditional payment, inquiry, and information processing system, differing only in that it utilizes a different delivery channel

Security and Privacy

Now day’s uptake of EC applications in the banking industry is very slow only because of security and data confidentiality issues have been a major barrier. Security and privacy are one of the most challenging problems faced by customers who wish to trade in the eCommerce world. Security in the form of keeping customer safe from an invasion of their privacy, affects trust and satisfaction. Potential customers mentioned Internet security, online banking regulations, consumers’ privacy, and bank’s reputation as the most important future challenges of online banking adoption. (Aladwani, 2001). Indeed, in Aladwani’s (2001) study of online banking, potential customers ranked Internet security and customers’ privacy as the most important future challenges that banks are facing. Perceived usefulness, perceived Web security has a strong and direct effect on acceptance of internet banking, too.

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3. LIMITATIONS AND SCOPE OF FURTHER RESEARCH

This research serves as an initial step in exploring customers' views and expectations on online banking. However, it is limited by the following factors: The sample was distributed randomly over adult people from the working environment. It did not include adult people who are less educated or those who never used computers or accessed the Internet. The sample is comprised with 200 people. Future research requires a larger sample for the purpose of higher accuracy. This research focused to a high degree of acceptance of online banking among Indian customers and opinion regarding security and privacy issues. Further research is required to investigate issues related to online banking in deeper manner and what strategies should adopt by banks by which they can enhance level of e-satisfaction and e-loyalty with respect to online banking.

4. RESEARCH HYPOTHESES

It is indeed essential to emphasize the fact that the Indian culture is different from the countries where previous research was conducted. The researchers predicted that the familiarity and economic benefits of using the Internet has a significant impact on the acceptance of online banking. If adult customers are not used to accessing the Internet frequently, and if they do not trust the Internet as a secure environment to conduct financial transactions, then it is nearly impossible for them to accept online banking. Therefore, the following is hypothesized:

H1. Security and privacy has major impact on approval of Internet banking among adult customers.
H2. Trust has major impact on approval of Internet banking among adult customers.
H3. Innovativeness has major impact on adoption of Internet banking among adult customers.
H4. Familiarity has significant impact on adoption of Internet banking among adult

5. DISCUSSION

The purpose of this study is to investigate the acceptance of online banking among those customers who are the more than 35 age group. Specifically, the study postulated the affect of security and privacy issue in the acceptance of online banking in India. Along with the questions regarding possible acceptance factors of e-banking services we ask them whether they are willing to adopt online banking or not. Our results show that security and privacy, trust, innovativeness, familiarity and awareness have positive influence on the acceptance of e-banking services in India. among others, which have reported that these factors have positive influences on the acceptance, constant use intension and satisfaction of innovations such as internet banking, electronic commerce etc. Among these factors that turn out to be significant in our study, the security and privacy factor is most influential one for the acceptance concern among adult customers in India.

Surprisingly, perceived privacy was not a determinant of perceived trust. Since these security characteristics guarantee almost total privacy, the relative importance of privacy concerns for these users is lower. Thus, Belanger et al. (2002) argued that customers generally understand the concept of security better than privacy because security is a more concrete concept, and they also showed that security features were more important than privacy statements. Kim et al. (2008) empirically showed that security protection mechanisms are more important in consumers' behavior than privacy. Pavlou and Chellappa (2001) found that the influence of perceived privacy was weak in comparison with the strong influence of perceived security on acceptance. Interestingly, online banking has a very promising future in the eyes of adult customers. This is greatly emphasized by

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the fact that 84% of the participants declared they were willing to try experiencing it once their banks helped them and provided them with necessary guidance.

6. CONCLUSION AND RECOMMENDATIONS

The recommendations to the banks are that they have to increase the level of trust between banks' website and customers. Because customer perception on security and privacy aspect have been seen in the literature. The importance of security and privacy for the acceptance of internet banking has been noted in many banks study and found that people have weak understanding of internet banking, although they are aware about risk. Banks noted that although consumer confidence in their bank was strong yet their confidence in the technology was weak through many studies. It is clear those adult customers are ready to adopt online banking if banks take necessary action. Banks should ensure that online banking is safe and secure for financial transaction like as traditional banking. Banks should organize seminar and conference to educate the customer regarding uses of online banking as well as security and privacy of their accounts. Some elder customers are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking. Banks must emphasize the convenience that online banking can provide to elder people, such as avoiding long queue, in order to motivate them to use it. Banks must emphasize the cost saving that online can provide to the elder people, such as reduce transaction cost by use of online banking.

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