Chapter 3

Internet Banking Adoption by the Customers of Private Sector Banks in India

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ABSTRACT

The rapid advancements in communication and information technology have changed the functional scenario of the banking sector significantly. The savings in time, money and effort by a novel channel of banking called as internet banking has been found to be an optional channel for the traditional banking. The objective of this study is to identify the determinants of internet banking adoption in private sector banks of India. Factors such as perceived usefulness, perceived ease of use, perceived risk, relative advantage and trialability have been found to be the determinants of internet banking in the previous studies. A new variable called conspicuousness has been introduced in the present study. Such a study has not been conducted in the Indian context antecedently. A model has been proposed and tested using various statistical techniques. The findings are of great use primarily for the banks which are planning to offer internet banking services, and for already existing banks to focus on the gaps.

INTRODUCTION

Globalization has opened the doors for foreign banks to expand their businesses in India. This resulted in the increase in the number of private banks in India. These private banks have revolutionized the banking sector significantly by provid-
shocks to the banks Nathan et al. (2010). These external shocks for the banks may be inevitable if the business and funding models are faulty Aidan et al. (2008). Fadzlan (2010) empirically finds that foreign banks have higher technical efficiency compared to their domestic bank counterparts.

Financial service providers are trying to differentiate their products and services to gain an advantage over their competitors, by trying to offer services at customer’s home. Even mobiles service providers have a large array of financial service offerings to attract new customers and to retain the existing. Internet has emerged as a convenient channel for these service providers Arpan et al. (2012). Organizations have been investing heavily in building information links with their suppliers and buyers to reduce costs and lead times to improve the timely customized delivery of products and services Jagdish et al. (2011). The recent and rapid developments in communications and information technology have brought unprecedented change in the lives of the people as well for banks. Internet has touched almost all aspects of human lives. The way we live, shop, entertain and interact all purely depend on the short word ‘net’ called Internet. With this rapid development in communication and information technology, various activities are handled electronically from the home or workplace. In fact, internet is a global phenomenon, making both time and distance irrelevant. Gordan et al. (2011) states that service industries started investing in information technology to bring cost savings in their operations. It has emerged as a convenient channel for many service providers. Therefore, internet definitely tries to influence the way people save and invest. The financial service providers, from the developed countries have been using internet as a channel to deliver their services more effectively and efficiently. Internet banking is defined as the delivery of banking services to customers through the internet Chi et al. (2007). Majority of the service providers from the developing countries started reaping the benefits by using internet as a service channel. The adoption of agile technologies and methodologies by the managers made the information system, qualitative and foolproof Kenneth et al. (2010). The financial institutions use information technology as a tool to grant loans and maintains records of individuals and enterprises that have been evaluated as credible Tarik et al (2009). Tero et al. (2004) define internet banking as the internet protocol through which customers can use different banking services ranging from bill payment to making investments. The costs of information technology appear to have a stronger positive impact on bank performance when there are greater environmental changes Abbaset al., (2012). Ruiliang et al. (2012) examines that, it is very much essential for banks to share the information between the online and traditional retailers for a profitable e-business

Internet banking is the tool which allows consumers to do the banking transactions from the comfort of a home with the help of an internet connection. Today, bank consumers round the globe are looking for the ease and convenience of internet banking to take care of their financial needs. People are being comforted by the newer methods and technologies of accessing the internet to check the status of their finances by the click of a mouse. Internet banking uses more traditional technologies such as personal computers and internet in order to pay bills, transfer funds and obtain account information Mavri (2006). The benefits of internet banking are vivid which add value to customers’ satisfaction in terms of quality of services as well to gain competitive edge over the competitors. Managing and integrating the financial data of the consumers globally is a major concern for banks as the data is spread worldwide.

The diffusion of latest technology, computers and growth of internet make customers crave for varieties of services and more of convenience. The diffusion of innovations model proposed by Rogers (1962) includes five characteristics such as relative advantage, compatibility, complexity,
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