Chapter 9
Customers’ Perspectives of Internet Banking Adoption in Developing Economies

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ABSTRACT
The competition in the banking sector has increased dramatically from the past decade. This increased competition environment in the financial service sector has resulted in the development and utilization of alternative delivery channels. The advancements and revolutions in the communication and information technology have changed the functional scenario of the banking sector significantly. Internet banking is a novel delivery channel of banking and has been found to be an optional channel for the traditional banking because of the savings in time, money and effort. Banks have become more and more competitive to meet the customers demand for ease of use, functionality, relative advantage, greater accessibility and the best of the services at a lower price. The objective of this study is to investigate the factors which influence the adoption 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 reported in the literature in the Indian context. 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. This research article provides valuable insights into the underlying contextual factors of Internet banking behavior for researchers and practitioners. The outcome of the study can be used to formulate new marketing strategies to increase the customer base of Internet banking market.

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INTRODUCTION

Businesses in the developing economies are highly reliant on information technology and communications to compete in the global market. Banks started relying on information technology and communications to penetrate the existing markets and to enter new segments. Globalization has resulted in foreign banks expanding their businesses across the world. The arrival of foreign banks into the Indian market with the latest information technology based services has pressed the Indian banks to follow the latest technologies in banking to counter the threat of competition. The arrival of foreign banks followed by an increase in the number of private banks has resulted in a stiff competition among the banks, to provide the best of the services to the esteemed customers. The Indian banking sector is going through a series of innovations in its operational aspects. With the growing demand for convenience products and services, banks are striving hard to maintain the equilibrium. The economic fluctuations in the markets may result in positive and negative 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. According to Jagdish et al. (2011) 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. Banks 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 spectrum of financial service offerings to attract new customers and to also to retain the existing.

Today, bank consumers round the globe are looking for the ease and convenience of online 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 has egressed as a convenient delivery channel for these service providers Arpan et al. (2012). 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 including the way we live, shop, entertain and interact. 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. Gordian 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 maintain 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 Abbas et al., (2012). Ruiliang et al. (2012) examines