Chapter 3
Internet Banking and Financial Customer Preferences in Turkey

İsmail Yıldırım
Hitit University, Turkey

ABSTRACT
The first online banking service was introduced in Turkey by İş Bank in 1998. However, the number of internet users has been increasing rapidly in Turkey, the number of online banking users did not increase with a similar pace. Although banks are taking measures for the security of online banking transactions, many financial consumers are still concerned about the security of these transactions therefore preferring not to use online banking. This study reveals the development of internet banking in Turkey and consumer percentages. Previous research on the factors affecting the usage of e-banking are also addressed in this study. It was found that the majority of these studies focus on the correlation between the security concerns which result in avoiding to use internet banking.

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Banking industry plays an important role in the global economy. The industry is open to internal and external changes in many countries. Among the most significant external changes concerning the industry are economic, social and technological changes. As banks are not able to directly interfere with external factors, their success depends on their ability to adapt to these changes (Jayawardhena & Foley, 2000). Generally speaking, the use of new technologies in banking services allows for changes in corporate structure, standardization of the communication system, and improved efficiency. Nevertheless, new technologies make it possible for prevention of repeated transactions while reducing the time spent for a transaction; reduction of the need for mid-level managers; and distribution of the responsibility of executives in order to assign different tasks, authority, and responsibilities to each group.

With the use of technology becoming crucial for the banks, they are now using new methods they have developed in order to offer better services for their customers. Among some of these services are automated teller machines (ATM), credit cards, phone banking and online banking. Internet banking is a web-based banking method which has been developing with new solutions for security issues replacing the interactive software which allows for home and office banking.

Information technologies are an important competitive tool for banking corporations. As the use of internet changes the business mentality and the methods used, banks are also developing their marketing and sales strategies in accordance with this process. Banks have started offering services to their consumers through internet as the use of internet became widespread. Following the new technologies meticulously, banks are now aiming for the maximum efficiency through internet banking in an era where speed, time and costs are of utmost importance.

Internet banking is the brand new distribution network which facilitates the sales of banking services. Internet banking involves several services such as account balance checking, money transfers, payment, and gathering information on several subjects which bank customers can perform from their homes and offices through a telecommunication network (Aparikyan, 2000). Widespread use of internet banking and the resulting distribution of banking transactions offer both banks and their customers significant advantages when compared to conventional branch banking (Gan, Clemes, Limsombunchai et al., 2006).

However, many banks in Turkey offer online banking services, the use of internet banking remains at a relatively low level. This study addresses the current status of internet banking in Turkey. In addition, previous research on the factors affecting the usage of e-banking are also addressed in this study.
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