Chapter 7

The Influences of Privacy, Security, and Legal Concerns on Online Banking Adoption: A Conceptual Framework

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ABSTRACT

Business globalization and the rising new technology enforced traditional banking to head towards online banking services, which facilitates customers to obtain access to their accounts from their business sites and personal computers to online banking services. The objective of this chapter is to construct a framework of adoption of online banking and represent the major influences of privacy, security, and legal concerns on online banking adoption. Furthermore, the chapter reveals the main challenges in the development of online banking system. The adoption of online banking can decrease the operating expenses and offer good and rapid services to their customers. The framework factors have been classified as facilitators and barriers of adoption of online banking. Performance expectancy, effort expectancy and social influence have been classified as facilitators whereas security concerns, privacy concerns and legal concerns have been classified as barriers. The results revealed various significant suggestions for online banking service providers, designers and developers.

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INTRODUCTION

Global internet access of more than 1000 million people by the end of 2014 (Internet World Stats, 2015), offering new markets for online based services such as online banking. Online banking is defined as the use of banking services through the computer network (the Internet) offering a variety of prospective benefits to financial institutions (Aladwani, 2001; Yiu, Grant, & Edgar, 2007). With online banking, consumers can execute, electronically, a range of transactions, such as standing orders, paying bills, transferring funds, statements requests, and account balances queries through the bank’s website banking system. Online banking expected to be attractive to customers with several benefits including cost savings, better service delivery control, waiting time reduction, higher levels of customization understanding, and convenient access to bank services. In addition, by offering online banking services traditional financial institutions look for a reduction in operational costs, improve consumer-banking services, maintain consumers and expand market share of consumers, and increase consumers’ loyalty and satisfaction.

Despite the anticipated value of online banking in many countries to both consumers and banks, its adoption rate is still small. According to comScore, more than 420 million people globally accessed online banking sites during the month of April 2012, reaching 28.75% of the Internet users. This comprised of 45% of the Internet users in North America, 37.8% in Europe, 25.1% in Latin America, 22% percent in Asia Pacific, 8.8 percent in Africa. In comparing the adoption rate of online banking between developed and developing countries' consumers, developing countries are clearly far lower. Such a low adoption rate is a worrying factor to banking institutions and it is due to several reasons. For example, consumer demand for online banking services in North America hindered in 2005, this perhaps due to a rise in security concerns related to a rise in identity fraud, phishing and online frauds (ZDNet, 2005). Therefore, the success of the implementation of online banking hinders on whether we can understand the adoption issues prior to the actual implementation of the system. The deficiency of understanding such issues is one of the main reasons for the failure of many information technology systems (Aart & Gorman, 2007, Berg et al., 2013).

Since online banking is still in its premature phase of dispersion in developing countries, it is important that we explore what influence its consumer adoption’ decision-making process. Online banking systems that are undesirably considered by consumers are inappropriate similar to any product or service, and consumers of online banking ought to be contented; otherwise, they will go somewhere else to accomplish tasks they are aiming to complete. Therefore, to increase the adoption rate in developing countries, banks in these countries need to better manage factors that influence consumers’ adoption of the online banking, which is the goal of this
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