An Empirical Study on the Intention to Use Open Banking in India

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ABSTRACT

This article examines the use intention of open banking technology in the context of an emerging economy like India using the theoretical framework of Technology Readiness and Acceptance Model (TRAM). To study the use intention for open banking in India, a primary survey was conducted among 945 customers using a structured questionnaire. The PLS-SEM technique was used to analyze the data. Findings – The results show that Optimism (OPM) contributes positively to the Perceived Ease of Use (PES) and Perceived Usefulness (PUF) of the open banking technology. Innovativeness (INO) of the customers is a significant predictor of PES and PUF. It was found that Discomfort (DCF) negatively contributes to PES and PUF; however, it significantly influences PES and has no significant influence on PUF. Insecurity (INT) is negatively significant to PUF and it has no significant influence on PES. It is observed that PES positively contributes to PUF. The results show that PES and PUF are significant predictors of Perceived Customer Value (PCV). PCVs contribution to the Use Intention (UNT) is significantly positive for open banking technology. The stickiness to traditional banking moderates the relationship between PCV and UNT for open banking.

KEYWORDS

Open Banking, Perceived Customer Value, PLS-SEM, Stickiness to Traditional Banking, TRAM

INTRODUCTION

The banking services in India are facing tremendous pressure to transform from the traditional banking model to the virtual model to cater to the new age customers who are tech-savvy. As Banking is a very conservative industry, the disruption emerging from the changing behaviour of the customers along with the use of technology has come later to the banking sector than to most other sectors (Blakstad & Allen, 2018). Technology is extensively adopted in the banking sector to provide quality customer services, maintain the data and improve the process efficiency. The technology applied to the domain of financial services is called as financial technology ‘Fintech’ (PWC, 2016) and it is a combination of technological innovation and financial services. Open banking is a new fintech innovation and it means “A collaborative model in which the banking data is shared through an Application programming interface (APIs) between two or more unaffiliated parties to deliver enhanced capabilities to the marketplace” (Brodsky and Oakes, 2017). Open banking permits banks to share customer data securely with third-party companies or mobile apps in real time with the help of open application interface platforms (APIs). An API is simply a set of rules or code built into applications to enable the software to communicate with each other. The availability of this data
with the third party helps to provide better customer service. Open banking, also known as ‘API banking’ is defined as - ‘Open banking involves sharing business services such as data, algorithms and transactions with business ecosystems of employees, customers, partners, fintechs and others. Open banking enables business ecosystems to build new apps, products and services; match buyers and sellers; and create new business models” (Newton, 2018). The key drivers propelling banks towards open banking are the quest for new business models, regulatory /policy changes, the threat from digital ecosystems such as Apple, Google, Facebook and Amazon (GAFA) along with the paradigm shift in consumer behaviour (Fintech Futures, 2018). There are many advantages to banks with the open banking technology such as– becoming more customer-centric by providing better customer experience, cost reduction, higher revenues and the stimulating factors for open banking are the regulatory changes and competitive pressure (Gartner, 2018).

Due to the demonetization in India in late 2016, there was a drastic growth in the financial digital transactions witnessed across the country. The transactions using debit cards increased from 817 million in the year 2016 to over a billion in January 2017. The transactions via Unified Payments Interface (UPI) and the government mobile app ‘Bharat Interface for Money’ (BHIM) rose from 100 thousand in October 2016 to 6.4 million in March 2017 (Gupta, 2017). Hence, this move triggered a change in consumer behaviour and provided a major impetus for the large-scale customer adoption of digital payment systems across the country (Sivathanu, 2019).

The Digital India Program was launched in 2015, a flagship programme of the Government of India. It has envisioned to transform India into a digitally enabled society with the core focus on digitization of services. Hence a conducive environment for the creation of a digital ecosystem in the services sector has been laid out in the country. This has paved the way for the introduction of digital banking services such as ‘Open banking’ in the near future.

Technology readiness and acceptance is an important topic of research in this dynamically changing environment and technology is one of the key drivers for the success of any business model. Technology Acceptance Model (TAM) was a model deployed by (Davis, 1989) for understanding the influence of technology adoption. Technology readiness (TR) was a term coined by Parasuraman, (2000) which depicts the tendency of customers to grasp and use a new technology. This study considers the TRAM model, which is the integration of TAM and TR model (Lin, Shih & Sher, 2007) to study the use intention of open banking technology. It is argued that there exists a practical and theoretical basis, which mentions that when individuals evaluate their intention to adopt a new technology, generally cognitive information regarding technology readiness is recollected first, then perceived ease of use and perceived usefulness is considered (Lin et al., 2007). Extant studies used the TAM model for various banking technologies such as- internet banking, telephone banking, mobile banking and the Automated Teller Machine to study the adoption (Martins, Oliveira, & Popović, 2014; Celik, 2008; Yang & Zhou, 2011; Lee, 2009; Chiou & Shen, 2012). These studies provide limited emphasis on the individual cognitive aspects; however, TR provides four personal beliefs about the acceptance of a new technology. Technology readiness explains the people’s tendency to like and use new technologies for achieving objectives at work and personal life (Parasuraman and Colby, 2015).

To study a new banking technology like open banking, this research considers the TRAM model which is the integration of the TR and TAM model. Prior studies considered the TRAM model to study the use intention of banking technologies like mobile payments (Martens, Roll & Elliott, 2017; Shin & Lee, 2014), internet banking and e-payments (Acheampong et al., 2017) as well as e-service systems (Lin et al., 2007). The novel contribution of this study is that it incorporates two important constructs – ‘Perceived customer value’ and ‘Stickiness to traditional banking’ along with the TRAM model to improve the explanatory power of the customer use intention. The perceived customer value is considered in this research as it is an important variable in predicting the adoption behaviour of a new banking technology (Lee and Allaway, 2002; Flint et al., 1997). Stickiness to traditional banking affects the adoption of online banking technology (Hsu and Lin, 2016). Hence, in this study, it is considered as a moderator to understand its interaction effect on the use intention of the customers.
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