ABSTRACT

This paper explores Australian domestic customers’ choices with regard to Internet banking, examining why it is taken up by some Australians and not others. The constructivist conceptual framework and the grounded nature of the method enabled in-depth exploration of key issues not undertaken before by the mainly positivist studies. The purposeful sample of 32 participants was selected to represent the major categories of people relevant to the research. Everett Rogers’ famous analysis of ‘diffusion of innovations’ was one theoretical framework used to illuminate the findings; the other was digital divide factors in relation to banking choices. The findings include 1) that the major motivation for people to adopt Internet banking is convenience, closely linked to time savings and ease of accessibility, as well as confidence and skill in Internet use; and 2) that, at the time of the study, digital divide factors were playing an important part in banking choices.

Keywords: age; banking; digital divide; gender; innovation; Internet

INTRODUCTION

I think once you get on [online banking], it’s really simple and the getting onto it is really the biggest stumbling block for most people. (Research participant)

This is one comment made during a qualitative, interpretive study that explored Australian domestic customers’ choices with regard to Internet and other banking forms. The study is pertinent, given that Internet banking has been steadily growing in Australia (ACNielsen, 2005), as is the case elsewhere including in many European countries (Forrester Research, 2003) and the United States (U.S.) (Pew, 2005a). In Australia, some 25% of the adult population employed Internet banking in 2002 (Barker, 2002), rising to approximately 34% of the adult population by May 2005, with 1.1 million new Internet banking users appearing over the previous 12 months (ACNielsen, 2005). According to Bauer (1999), the motivation for banking
organizations to invest in and promote the use of technologies such as the Internet is largely connected with the perception of cost savings and efficiencies to be achieved.

While considerable attention has been paid to the activities of banks online, less has been written on customers’ choices. Earlier studies have mostly employed a positivist approach, preventing exploration of the deeper issues that motivate customers to take up Internet banking, and the relationships between those issues as suggested by Black, Lockett, Ennew, Winklhofer and McKechnie (2002) in the conclusion of their paper reporting one of the few qualitative studies in existence. The advent of several different banking channel options in recent years brings the opportunity to consider the ‘relative advantage’ (Rogers, 2003) of these various options in depth. It is also worth noting that recent societal changes, such as the maturing of electronic commerce (Beck, Wigand & König, 2003) and the rise of a society of individuals seeking individuated consumption and deeper support (Zuboff & Maxmin, 2002), have likely affected the issues involved, giving added reason for a fresh empirical study.

Taking the above into account, the questions of concern to the research discussed in this paper include: Why is Internet banking taken up by some Australians and not others? What are the attributes of various banking options that encourage or discourage choice? The study examined these questions in a social context, investigating perceptions of users and non-users about their banking needs and options. The issues that emerge from digital divide analyses are particularly important to the research (in this case gender, age, rural/city residence, and income in association with the first three variables) and were taken into account in the sample selection so that the perceptions of those less likely to be involved in Internet use and online banking would be strongly represented. For example, Locarek-Junge and Schweiger (1998) argue that Internet-based banking is most attractive to those in higher income brackets. This was found in Kolodinsky, Hogarth and Shue’s (2000) survey of banking consumers, and is still regularly forecast by industry research firms (e.g., Pew, 2005a). For the purposes of this paper, Internet banking includes monitoring accounts, paying bills and transferring money between bank accounts, including third-party accounts as well as those held at other banks.

Although past public concern about online security, privacy and trust is considered very important by the researchers and emerges in the data, these issues are discussed in-depth in related papers (see Lichtenstein & Williamson, 2005, 2006) and reviewed briefly in this paper in an Australian context.

Rogers’ (1962, 2003) analysis of the diffusion of innovations, based on five key attributes that influence adoption of new technology, has explanatory value in the context of the adoption of Internet banking and, indeed, was used by Tan and Teo (2000) in this context. Zuboff and Maxmin’s (2002) suggestion for deeper customer support, is also related to some of Rogers’ constructs; for example, trialability and observability. Elsewhere, other theories are used to explore the findings (Lichtenstein & Williamson, 2006). In this paper, we used Rogers’ framework and digital divide issues to focus the findings after participant perspectives emerged from a qualitative analysis.

From this point, the article proceeds to the ‘literature review’, which focuses specifically on the two major frameworks of analysis used in the research as well as a brief review of consumer concerns in online security, privacy and trust in Australian Internet banking. This section is followed by a discussion of the ‘research philosophy and method’. The article then presents the findings and discussion, followed by the conclusion.

**LITERATURE REVIEW**

Apart from the literature discussed in the introduction, there are two key bodies of theory and empirical findings that provide analytical frameworks for this paper. The first is Rogers’ theory of the diffusion of innovations; second is the digital divide issues that were a very important focus of the research and this paper. In

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