

A STUDY ON INTERNET BANKING ADOPTION AMONG BANK CUSTOMERS

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**A STUDY ON INTERNET BANKING ADOPTION AMONG
BANK CUSTOMERS**

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Universiti Utara Malaysia

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ABSTRACT

The online banking environment has grown tremendously over the past several years and will continue to grow as financial institutions continue to strive to allow customers to complete money transfers, pay bills and access critical information online. At the same time, online banking has been plagued by internet criminals and fraudsters attempting to steal customer information. As a result, authenticate customers logging to their online banking service has become a crucial concern of financial institutions. The primary purpose of this study is to identify factors that induced consumers to adopt the internet banking services. A total of 160 respondents are involved in this study. The effects of attitude towards certain behaviors, subjective norm and perceived behavioral control variables on the intention to use online financial services were examined as well as demographic variables. The conceptual framework underlying the study was based combination of different scholar that is relevant internet banking adoption. The findings based on five different independent variables (Banking Needs, Costs Saved, Risk and Privacy, Features Availability and Convenience) showed that all these variables influenced consumers' internet banking adoption. It is essential for banks to facilitate encouragement and restrict impediment factors. The results suggest that in addition to the direct "push" from banks (in respect of the encouragement factors), indirect persuasion should also be carried out as a "pull" mechanism (in respect of the impediment factors) to induce consumers participating in the internet banking services.

ABSTRAK

Di kebelakangan ini, perbankan internet telah meningkat penggunaanya dan peningkatan ini membolehkan pengguna perbankan internet menggunakan perkhidmatan seperti pindahan akaun, pembayaran bil dan untuk mendapatkan maklumat berkaitan kewangan secara maya. Pada masa yang sama, perbankan internet dibelenggu masalah jenayah siber serta aktiviti tidak bermoral seperti mendapatkan maklumat pengguna tanpa kebenaran. Disebabkan itu kesahihan kata laluan pengguna menjadi masalah utama yang membelenggu institusi kewangan. Tujuan utama kajian ini dijalankan adalah untuk mengenalpasti faktor-faktor yang mendorong pengguna mengadaptasikan perbankan internet dalam urusan seharian. Faktor-faktor seperti sikap, objektif dan tafsiran sebenar yang mendorong penggunaan perbankan internet dikaji di dalam kajian ini. Kerangka kajian adalah gabungan daripada pelbagai pandangan yang berkaitan dengan perbankan internet. Kajian ini adalah berasaskan 160 responden dan hasil kajian ini diolah berdasarkan pembolehubah Kepentingan Perbankan, Penjimatan Kos, Risiko dan Privasi, Keadaan Paparan dan Kemudahan yang diperolehi daripada mengaplikasikan perkhidmatan perbankan internet. Kesemua angkubah-angkubah ini didapati mempengaruhi secara positif terhadap kesediaan pengguna untuk menggunakan perbankan internet. Dari keputusan kajian ini adalah disyorkan bank-bank perlu memainkan peranan yang lebih agresif lagi bagi meningkatkan penggunaan perbankan internet oleh pengguna.

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CHAPTER 1

BACKGROUND OF STUDY

1.1 Introduction to the Internet Banking in Malaysia

The financial services industry has been subjected to dramatic changes over the past decades, as a result of advance in Information Technology, deregulation and globalization. These changes have reduced margins in traditional banking activities, leading to merging of banks. The forces of consolidation also had a profound impact on the operations of securities exchanges as well as the brokerage and asset management industries (International Monetary Fund, 2007). In the merging programmes of the banking institutions have resulted in the consolidation of 51 banking institutions into 10 banking groups (Bank Negara Malaysia). This merging, which involved the consolidation of 96% of the total assets of the banking institutions was achieved with minimum disruption and dislocation to the systems. This has been a major accomplishment by the domestic banks industry.

The domestic banking groups are now in a position to achieve greater benefits from economies of scale, greater investment in technology and more substantive pool of skilled staff. This will allow the banking institutions to make further gain on efficiency and competitiveness which each banking institution having attained the minimum of shareholders fund of RM2 billion and total assets of RM25 billion (Bank Info, 1997). The completion of the legal and operational mergers will place the Malaysian banking institutions in a better position to respond to the forces of change, in particular, to the advances in technology as well as from the greater demands for more customized and

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