

# A Study on Factors Influencing the Customer Adoption of Internet Banking

M.S.M. Rizwan<sup>1</sup>

<sup>1</sup>Department of English, Sri Lanka Institute of Advanced Technological Education (SLIATE), Advanced Technological Institute, Sammanthurai, Sri Lanka.

**Abstract:** Internet banking plays an important role in the banking sector and almost all the banks in Sri Lanka provide this service. But in Sri Lanka, the number of people using internet banking was still low. This study examines the elements impacting the customer adoption of internet banking in Sammanthurai. Objectives of this research are to identify the elements influencing the adoption of internet banking, investigate the impact of relative advantage, the experience of utilizing the internet, complexity, and risk on acceptance of online banking, and explore the impact of those four elements on acceptance of internet banking. A quantitative approach was used in this study and in order to gather data questionnaires were administered from the sample of 150 randomly chosen banking customers who used the internet in both urban and rural areas of Sammanthurai. The data were examined using SPSS (Statistical Packages for Social Sciences). To strengthen the investigation, descriptive analysis was carried out which revealed despite the fact that most customers were aware of internet banking, it was not widely used. Regression analysis was conducted to test the five hypotheses. Results revealed that relative advantage and experience of using the internet had a positive significant effect on the adoption of online banking. Complexity and risk had a negative significant impact on the acceptance of internet banking. Altogether these four variables had a significant impact on the adoption of internet banking. Further, this study gives ideas for additional research and addresses the study's consequences.

**Keywords:** Banks, Banking Customers, Customer Adoption, Internet Banking, Sri Lanka

## 1. Introduction

Each sector has a significant impact on technology. It is important in the financial industry as well. The Cambridge Dictionary defines a bank as a place where individuals and businesses can deposit or borrow money, exchange it for foreign money, etc., or a structure where these services are provided.

Banks offer a spacious range of services, including accepting deposits, credit lines, checking account clearing, money transfers, lockers and safe deposit, bill payment options, online banking, credit and debit card options, international banking services, wealth management, investment banking, currency exchange, and more. The banking sector in Sri Lanka controls the financial sector and accounts for the largest portion of the total assets in the banking system. Banks play a major role in the capital ~~finan~~ of a country and help the growth process.

They are facilitating local and international trade too. They are the fundamental backbone for the development of an economy. It has recently been fast gaining acceptance as a possible e-commerce medium. Electronic financial products and services are among the customer-oriented applications riding at the vanguard of this evaluation since the internet is rapidly developing into a properly functioning supply and distribution medium<sup>1</sup>.

Through the use of their unique username and password, users can log into their own registered domain accounts on the bank's website and complete nearly all of the transactions they would normally complete in person<sup>2</sup>.

Sri Lanka is still in the early stages of using the internet to conduct banking transactions compared to developed and some developing nations. Therefore, this investigation was carried out to assess the variables affecting customers' use of internet banking in Sammanthurai. The results of this study will help banking professionals, particularly to implement policies to promote customer adoption of electronic banking.

---

<sup>1</sup> Tan, M., & Toe, T. (2000, July). Factors influencing the adoption of internet banking. *Journal of the Association for Information System, 1*.

<sup>2</sup> Hettiarachchi, H. (2013, July). Factors affecting to customer adoption of internet banking. *Kelaniya Journal of Management*.

## 2. Literature Review

This research has been conducted to evaluate the variables affecting customers' use of internet banking in Sammanthurai. The study's research questions are what factors are influencing the adoption of internet banking, what is the impact of relative advantage, the experience of using the internet, complexity, and risk on the adoption of online banking, and what is the altogether impact of these factors on adoption of internet banking. This study's research objectives are realizing the influences going to impact the acceptance of internet banking, identifying the impact of relative advantage, the experience of using the internet, complexity, and risk on acceptance of internet banking, and investigating the altogether effect of these four elements on the adoption of internet banking.

### 2.1 Internet Banking

There are several names for internet banking, including web banking, electronic banking, e-banking, and digital wallets. Digital banking allows customers to perform transactions electronically via the bank's website. Internet Banking can be identified as a set of technological devices that a financial institution provides to enable its customers to conduct banking transactions electronically<sup>3</sup>. You may fulfill your demands, including paying bills and transferring money, using internet banking, which is rapid and nearly free. This eliminates the need to go to the bank or make a phone call.

### 2.2 Importance of Internet Banking

Internet banking creates many advantages for customers and banks. It creates many advantages for customers when compared to traditional banking. Customers would never have to wait until the following business day to complete their banking needs because they are available every day of the week, 24 hours a day. Customers have the convenience to conduct transactions from anywhere such as from home, workplace, and even in the car without going to the bank.

Speed is another advantage of internet banking to its customers. Transactions, transaction processing, data transfer, information requests, etc. It happens almost instantly in online banking<sup>4</sup>. Online banking increases the revenue of banks. So, it can be seen as a mechanism for increasing revenue and saving costs.

Internet banking helps to create profitable, loyal, and committed consumers compared with traditional banking consumers<sup>5</sup>. Further, in the age of e-commerce, internet banking services are essential to banks' long-term existence.

## 3. Statement of the Problem

It helps the banks to reduce their cost of operating by reducing physical facilities and human resources, saves their time by automatically processing consumer banking needs, helps them to increase customer satisfaction, and thereby increases the market share. It helps banking customers to fulfill their various banking needs anytime, anywhere, in a few seconds without visiting the bank. So, it reduces the cost of customers in terms of money and effort.

Although internet banking creates many benefits for customers and all commercial banks provide internet banking facilities, customer adoption of internet banking is low in Sammanthurai. Some customers are unaware of this facility and some customers hesitate to use this even though they are aware of it.

---

<sup>3</sup> Premarathne, W., & Gunatilake, M. (2016, November). Customer adoption of internet banking in Sri Lanka. *International Journal of Advanced Research*.

<sup>4</sup> Kariyawasam, N., & Jayasiri, N. (2016, June 6). Awareness and usage of internet banking facilities in Sri Lanka. *International Journal of Scientific Research and Innovative Technology*, 3.

<sup>5</sup> Firdous, S., & Farooqi, R. (2017, April). Impact of internet banking service quality on customer satisfaction. *Journal of Internet Banking and Commerce*, 22.

Therefore, the goal of this research is to discover the elements that affect consumers' adoption of online banking and this research was conducted based on Sammanthurai. So, the problem statement of this research is to identify the factors influencing the customer adoption of internet banking in Sammanthurai.

#### **4. Research Question**

The current study aimed at answering the following inquiries:

1. What are the variables affecting the adoption of internet banking?
2. What is the impact of relative advantage on the acceptance of internet banking?
3. What is the impact of the experience of using the internet on the adoption of internet banking?
4. What is the impact of complexity on the adoption of internet banking?
5. What is the impact of risk on the adoption of internet banking?
6. What is the altogether impact of relative advantage, the experience of using the internet, complexity, and risk on the adoption of internet banking?

#### **5. Research Methodology**

This research uses the scientific method to conduct research. Scientific research focuses on finding solutions to problems and follows a step-by-step, systematic, and rigorous methodology to identify the issues, collect evidence, analyze it, and come to reliable conclusions<sup>6</sup>.

This research follows deductive reasoning because research develops hypotheses and tests them via data analysis, it is testing an established theory.

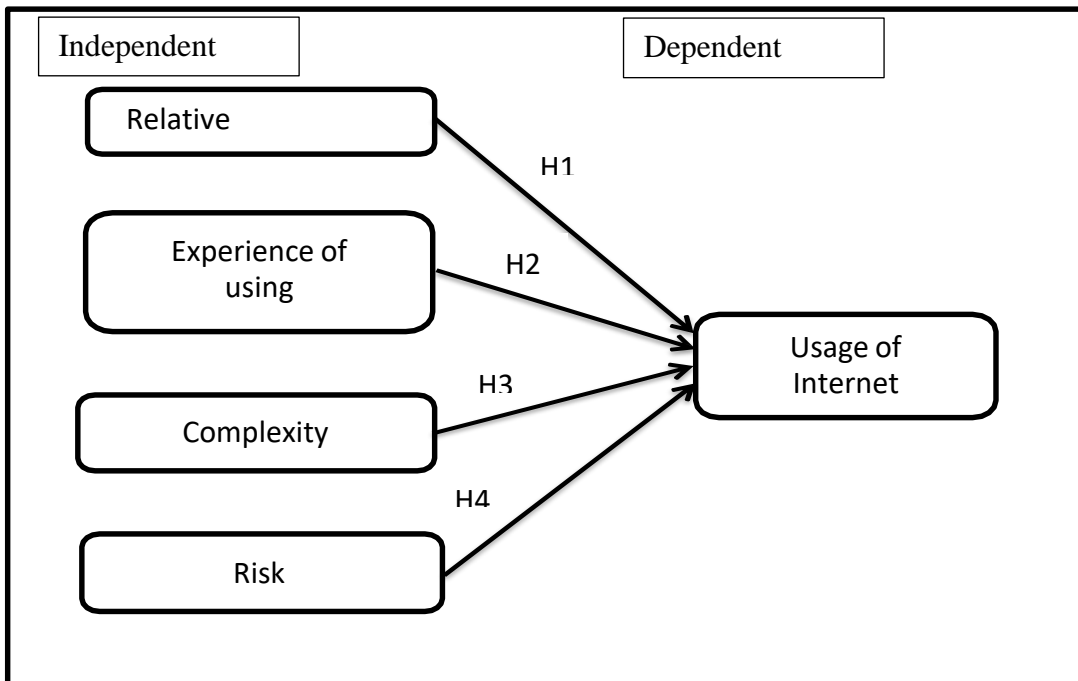
As this research follows a deductive reasoning approach, this research is based on a Quantitative approach. There are two epistemological approaches to conducting research. They are positivism and constructionism. As this research is following deductive reasoning, this research is based on positivism.

##### **5.1 Conceptual Framework**

---

<sup>6</sup> Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill-building approach* (6th ed.). John Willey & Sons, Ltd.

The research framework of this study is depicted.



### 5.2 Hypotheses

Based on this framework following hypotheses are developed: -

H1: The higher perceived value relative benefit of functioning web banking services, the greater the likelihood of online banking's acceptance.

H2: The more successful the Internet experience, the greater the likelihood that Internet banking will be embraced.

H3: The lower perceived complexity of using Internet banking, the greater the chance of Internet banking becoming widespread.

H4: The less risk Internet banking is believed to have, the more the chance of Internet banking becoming mainstream.

In this model, the dependent variable is the usage of internet banking and the independent variables are relative advantages, the experience of using the internet, complexity, and risk.

### 5.3 Sample

150 online banking customers from Sammanthurai's urban and rural areas were chosen for the study's sample. The sample group was limited to banking clients who used the internet since the data for this research were solely gathered through a questionnaire.

### 5.4 Data Collection Method

This research used both primary and secondary data collection instruments to collect data. A questionnaire served as the primary data gathering method in this investigation because it is a low-cost method, respondents have enough time to consider their responses, respondents who are difficult to reach can also be reached easily, a large sample can be used, and it is a crucial data collection tool in a quantitative approach.

For the purpose of conducting this study, secondary data was gathered from related books, journals, central bank reports, journal articles, and the internet.

## 6. Finding and Discussions

This section gives answers to the research questions mentioned above.

Hypothesis testing is used to make a decision about the authenticity of the developed hypothesis.

### 6.1 Frequency distribution evaluation of variables

Through Tables 6.2, 6.3, 6.4, 6.5, and 6.6, this section also includes measurements of central tendency like mean and measures of dispersion like standard deviation and variance, together with the data pertinent to the dependent and independent parameters.

Table 6.2: Statistical Descriptive of Evaluated Elements of Relative Advantage

	Mean	Std.Deviation	Variance
RA1-Convenient way to conduct transactions		4.57	.661
RA2-Time saving		4.68	.576
RA3-Performing transactions during bank is closed		4.69	.542
RA4-Improving efficiency in conducting transactions	4.64		.613
RA5-Allowing to know more banking businesses		4.53	.676
RA6-Keeping abreast of latest banking services		4.56	.650

Valid N (listwise) 127

Note: Five-points Likert scale, 1= Strongly reject and 5= Strongly accept

Source: Poll Results

The construct of relative advantage was calculated using 5 elements on a 5-point Likert scale starting from strongly reject (scale-1) to strongly accept (scale- 5). The mean score varies between 4.53( $\pm 0.676$ ) and 4.69( $\pm 0.542$ ). The most significant figure comes from RA3-Performing transactions during bank is closed (4.69+0.542) and the variations in the mean scores of the remaining five items are negligible.

Table 6.3: Descriptive Statistics of Measured Elements of Experience of Using Internet

	Mean	Std. Deviation	Variance
EUI1-Daily usage of internet banking	4.54	.862	.743
EUI2-Skill in using the internet	4.39	.836	.699
EUI3-Knowledge about search techniques on internet	4.39	.808	.653
EUI4-Less knowledge about using internet than others	2.28	1.458	2.125
EUI5-Knowledge about finding things from internet	4.53	.721	.520

Valid N (listwise) 127

Note: Five-point Likert scale, 1= Strongly reject and 5= Strongly accept

Source: Poll Results

The concept of experience using the internet was evaluated by five elements on a 5-point Likert scale starting at strongly reject (scale -1) to strongly accept (scale -5). The mean value falls among both 2.28( $\pm 1.458$ ) and 4.54( $\pm 0.862$ ). The most significant figure comes from EUI1-Daily usage of internet banking (4.54+0.862) and the other four items' mean scores had very little variation.

Table 6.4: Statistical Descriptive of Assessed Elements of Complexity

	Mean	Std. Deviation	Variance
COM1-Mental effort requires for the usage	2.17	1.346	1.811
COM2-Frustration in usage	1.96	1.231	1.514
COM3-Easy way to conduct transactions	4.39	1.016	1.032
COM4-Easy to become skillful in the usage	4.37	.834	.695
COM5-Interaction is clear and understandable	4.35	.869	.754
Valid N (listwise) 127			

Note: Five-point Likert scale, 1= Strongly reject and 5= Strongly accept

Source: Poll Results

This construct of complexity was assessed using 5 elements on a 5-point Likert scale commencing between strongly reject (scale -1) and strongly accept (scale- 5). The mean score varies between 1.96(±1.231) and 4.39(±1.016). The source of the highest value is from COM3-Easy way to conduct transactions (4.39+1.016) and the variations in the mean scores of the remaining four items are negligible.

Table 6.5: Statistical Descriptive of Evaluated Elements of Risk

	Mean	Std. Deviation	Variance
RIS1-Transactions' information will be known to others	2.02	1.321	1.746
RIS2-Transactions' information can be tempered by others	2.03	1.284	1.650
RIS3-Security measures for transactions are inadequate	2.13	1.305	1.704
RIS4-Afraid of entering the wrong amount during transactions	2.28	1.401	1.963
RIS5-Mistakes are likely to occur during transactions	2.24	1.396	1.948
RIS6-Subject to hacking	2.17	1.381	1.906

Valid N (listwise) 127

Note: Five-point Likert scale, 1= Strongly reject and 5= Strong Agreement

Source: Poll Result

The construct of risk was evaluated using five elements on a 5-point Likert scale varying between strongly reject (scale- 1) and strongly accept (scale -5). The mean score range between 2.02(±1.321) and 2.28(±1.401). It is reported the greatest value from RIS4-Afraid on entering wrong amount during transactions (2.28+1.401) and there aren't many variances in the mean scores of the other five items.

Table 6.6: Summary of Hypothesis Testing Results

Hypotheses	Predicted Outcomes	P-values	Beta value	Acceptance/ Refusal of the Hypotheses
Relative advantage has greater impact on	Positive Significant Relationship	.000	.628	Accepted

adoption of online banking.				
Experience of using internet		.		
has substantial impact on	Positive Significant Relationship	015	.152	Accepted
acceptance of internet banking.				
Complexity has significant				
outcome on adoption of online	Negative Significant Relationship	0.04	-.221	Accepted
banking.				
Risk has greater effect				
on acceptance of internet	Negative Significant Relationship	.000	-.271	Accepted
banking.				
Altogether relative advantage,				
experience of using internet,	Significant Relationship	.000	-	Accepted
complexity and risk have				
significant impact on adoption				
of internet banking.				

---

**Source: Author Compilation**

**7. Conclusion**

This study intends to pinpoint the variables that impact the consumers' adoption of internet banking in Sammanthurai. For this study relative advantage, the experience of using the internet, complexity, and risk was selected as independent variables, and adoption of internet banking was selected as the dependent variable. According to the analysis, each relevant p-value for each hypothesis is less than 0.05. Therefore, each and every hypothesis was accepted. So relative advantage, the experience of using the internet has a positive substantial effect on the adoption of online banking. Complexity and risk have a negative greater impact on the acceptance of internet banking. Altogether relative advantage, the experience of using the internet, complexity and risk have a significant effect on the acceptance of internet banking. These findings consist of the previous research findings and relevant theories.

**8. References**

- Tan, M., & Toe, T. (2000, July). Factors influencing the adoption of internet banking. *Journal of the Association for Information System*, 1.
- Dassanayake, D. (2003). Critical factors influencing the selection and continued usage of internet banking in Sri Lanka.
- Hettiarachchi, H. (2013, July). Factors affecting to customer adoption of internet banking. *Kelaniya Journal of Management*.
- Premarathne, W., & Gunatilake, M. (2016, November). Customer adoption of internet banking in Sri Lanka. *International Journal of Advanced Research*.
- Kariyawasam, N., & Jayasiri, N. (2016, June 6). Awareness and usage of internet banking facilities in Sri Lanka. *International Journal of Scientific Research and Innovative Technology*, 3.
- Firdous, S., & Farooqi, R. (2017, April). Impact of internet banking service quality on customer satisfaction. *Journal of Internet Banking and Commerce*, 22.

Thowfeek, M. H., & Mirzan, S. H. (2017). The factors influencing customers' decision to adopt internet banking in Sri Lanka. *Journal of Information Systems & Information Technology*, 2.

Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill-building approach* (6th ed.). JohnWiley&Sons,Ltd