

# Chapter 15

## Exploratory Study of Internet Banking Technology Adoption

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### ABSTRACT

*Internet has brought significant impact on the way people conduct life in the present-day scenario. In this premise the Indian economy has experienced rapid growth over the last decade, developing Internet Banking Technology (IBT) for transforming the traditional lines of banking. This shift has brought profound challenges and opportunities to both bank and its customers. Customers have found in IBT a new ease to do the financial transaction. Review of these literatures indicates that there are not many studies on IBT Adoption in Indian scenario. The review shows that existing study on IBT adoption in Indian context has shown little evidence of an integrated model for IBT Adoption. This indicates that a comprehensive research in the area of IBT adoption under Indian context is very much limited. This research attempts to analyse existing technology adoption theories for formulating an integrated framework to investigate the factors of IBT adoption in India.*

### INTRODUCTION

Technology adoption study has become a crucial or significant measure for understanding success or effectiveness of evolving technologies. Revolutionary development of technology in the past 20 years has impacted individuals as well as businesses in a profound way. Adoption of technology in general and Internet Banking Technology (IBT) in particular leads to decrease in coordination cost and increase in efficiency of banking process. IBT is a radical technological innovation that has a potential to change the structure and nature of banking. (Chau & Lai, 2003) states that to sustain business competitiveness,

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more and more banks are transforming from their traditional approach of banking to technology supported banking. The literature has shown an increasing trend of electronic financial transactions over the internet. This same trend can also be found in India. The literature survey indicates that acceptance of internet banking among Indian customers is not as advanced when compared to their counterparts in other countries.

Review of these literatures indicates that there are not many studies on IBT Adoption in Indian scenario. The review shows that the factors considered in these studies were not adequate or sufficient to project a comprehensive model for IBT Adoption in India. Moreover, existing study on IBT adoption in Indian Context has shown little evidence of an integrated model for IBT Adoption. In this study, we define IBT adoption as the level of acceptance expressed by its customers towards Internet Banking Technology. This study proposes an integrated framework for IBT Technology Adoption.

## **Internet Banking in India**

Internet banking as a medium of delivery of banking services and strategic tool for business development has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the fray. Indian banks are going for the IBT in a big way. However, much is still to be achieved. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. India can be said to be on the threshold of a major banking revolution with internet banking having already been unveiled its potential. In the new millennium, the internet-based way of doing business has certainly changed many industries and has influenced many customers and businesses. The liberalization and globalization necessitated the need for bringing measures to cut down cost, to increase efficiency, to provide better, value added, customized and cost effective services to the customers in all the sectors of the economy (Rao et al., 2005). The deregulation of the banking industry and the emergence of various information and communication technologies, are enabling new competitions (Mishra, 2001). In India, slowly but steadily, the Indian customer is moving towards Internet banking.

A number of banks have adopted Internet Banking and few banks are in the entry level of adoption. The adoption is possible in two ways; already established banks will set up their own website and offer different services through online i.e. internet and in the second case there will be a branchless online bank which will have only virtual presence; no physical existence. The banks started Internet banking initially by developing simple website demonstrating company information and marketing different products. Then banks introduced functions such as getting information about interest rates, checking account balances and computing loan eligibility. Then the services were extended to online bill payment, transfer of funds between accounts and cash management services for corporate. Recently, banks have started to facilitate payment for e-commerce transactions by directly debiting bank accounts or through credit cards. This will add to the revenues of the banks. Key banks that have expanded their online banking operations are State Bank among the public sector and the ICICI Bank among the private sector Internet banking continues to grow in terms of number of registered users as well as in the number and value of daily transactions executed as illustrated in Figure 1. Number of registered customers continues to grow at a rapid pace — especially for public sector banks, which currently have low penetration in this channel across their customer base.

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