A Review Study on Dynamics of Online Banking

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Abstract: Online banking is a new phase in retail banking services. With the help of online banking several types of services through which customers can request information and carry out their banking transaction such as balance inquiry, inter account transfers, utility bills payment, request check book etc., via a telecommunication network or internet without physically visit the branches. The advent of the Internet has a significant impact on banking service that is traditionally offered by the branches to the customers. With the help of the Internet, customers can do their banking anytime and anywhere as long as Internet access is available. This new type of service has been called "online banking" or "Internet banking." Customers are being facilitated by reducing their visits in banks and they can carry out their transactions via internet or ATM Machines instead of personally visiting the branches. The Promotion of online banking technology enabled the banks to enhance its operations with cost cutting effectively and efficiently in order to handle daily banking affairs via online banking channel. This Paper examines trends and dynamics of online banking.

Keywords: online banking, e-banking, retail banking, security risk

1. Introduction

Online banking is a new phase in retail banking services. With the help of online banking several types of services through which customers can request information and carry out their banking transaction such as balance inquiry, inter account transfers, utility bills payment, request check book etc., via a telecommunication network or internet without physically visit the branches (Daniel, 1999). The advent of the Internet has a significant impact on banking service that is traditionally offered by the branches to the customers. With the help of the Internet, customers can do their banking anytime and anywhere as long as Internet access is available. This new type of service has been called "online banking" or "Internet banking." It can be defined as performing financial transactions over the Internet through a bank's website. Customers are not the only beneficiary of this new service. Making use of online banking, commercial banks may greatly increase the market coverage and better track customers as well. The first online banking services based on the Internet were provided by Stanford Federal Credit Union (SFCU) in October 1994 (Business Wire, 1995). Online banking helps banks to retain and enhance the loyalty of their existing customers, increase customer satisfaction, provide opportunity to the banks to increase market share, reduce administrative and operational cost and to improve banks' competitive positions against their rivals (Khalfan et al., 2006).

2. Online Banking Trends

Singhal Divya and Padhmanabhan (2008) found that Major factors responsible for internet banking were 'utility request', 'security', 'utility transaction', 'ticket booking' and 'fund transfer'. More than 50 per cent of total respondents agreed that internet banking is convenient and flexible ways of banking and it also have various transaction related benefits. Maenpaa Katariina et.al (2008) identified that Consumers' perceptions differed in four of seven dimensions of internet bank services when examined along the criterion of expertise. Results revealed that security was not a concern for any of the user groups. Mannan Syed Abdul (2010) analysed that Customers were satisfied with technology oriented banks products and services. Different parameters and guidelines were suggested to bankers on which they need to improve and spread the awareness of electronic banking products and services. Srivastava and Rajesh Kumar (2007) observed in their study that Education, gender, income and training play an important role in usage of internet banking. Inhibitory factors like trust, gender, education, culture, religion, security and price can have minimal effect on consumer mind set towards internet banking. Naana Adams Abigail and Odartey Lamptey Adnan (2009) examined that Banks need to promote internet banking by having an active stake in the development of internet infrastructure and offering more incentives to customers. Mohammed Hossain and Shirley Leo (2008) stated that Customers' perception was highest in the tangibles area and lowest in the competence area.

3. Review of Literature: Online Banking

Barczak et al. (1997) underlined the consumer motives for use of technologically based banking services and distribution channels and found that customers could be clustered on their money management philosophies. Johnston (1997) illustrates that certain actions, such as increasing the speed of processing information and customers, are likely to have an important effect in terms of pleasing customers; however other activities, such as improving the reliability of equipment, will lessen dissatisfaction rather than delight customers and suggests that it is more important to ensure that the dissatisfiers are dealt with before the satisfiers. Daniel (1999) quantifies the current provision of electronic services by major retail banking organizations in the UK and the Republic of Ireland. Additional insight into the banks' adoption of this new channel is gained by exploring two areas important in the analysis of new offerings, that is: an organization's approach to innovation; and their view of the current and future markets.

Broderick's and vachirapornpuk's (2002) study proposes and tests a service quality model of internet banking. Their research uses participant observation and narrative analysis of a UK internet banking website community to explore how internet banking customers perceive and interpret the elements of the model. Findings of the study show that the level and nature of customer's participation had the greatest impact on the quality of the service experience and issues such as customers' zone of tolerance, the degree of role understanding by customers and emotional response potentially determined, expected and perceived service quality. Akinci at al. (2004) conducted the study to develop an understanding of consumers' attitudes and adoption of Internet banking among sophisticated consumers. Users and non-users of Internet Banking (IB) were examined based on a random sample differ with respect to academicians, demographic, attitudinal, and behavioral characteristics. The analyses revealed significant differences between the demographic profiles and attitudes of users and non-users.

Eriksson et al (2004) concluded in their research that the perceived usefulness of internet banking is, for banks, a key construct for promoting customer use. They also suggest that models of technology acceptance should be re-formulated to focus more on the key role of the perceived usefulness of the service embedded in the technology. Trust as another belief that has an impact on the acceptance of Internet banking. Guriting (2006) examines the factors that determine intention to use online banking in Malaysia Borneo. In his study, the perceived ease of use and perceived usefulness factors are considered to be fundamental in determining the acceptance and use of various information technologies. Rod. at al. (2009) examine the relationships among three dimensions of service quality that influence overall internet banking service quality and its subsequent effect on customer satisfaction in a New Zealand banking context. The results show significant relationships among online customer service quality, online information system quality, banking service product quality, overall internet banking service quality and customer satisfaction.

Hasim and salman (2009) conducted a study to determine the factors that affect sustainability of internet usage by Malay youth in Kota Bharu, a rural town in the north east of peninsular Malaysia. The researchers study and concluded that there is sustainability of internet usage among Malay youth. Gikandi and Bloor, (2009) investigate the factors that influence the adoption and effectiveness of e-commerce in retail businesses in Kenya. Two surveys were carried out (Initial and follow-up) in the years 2005 and 2009, respectively, which involved banks controlling approximately 90% of formal retail banking in Kenya.

Chong, et al. (2010) empirically examines the factors that affect the adoption decision of online banking in Vietnam. Perceived usefulness, perceived ease of use, trust and government support was examined to determine if these factors are affecting online banking adoption. The results showed that perceived usefulness, trust and government support all positively associated with the intention to use online banking in Vietnam. Contrary to the technology acceptance model, perceived ease of use was found to be not significant in this study. Malhotra and Singh (2010) conduct an exploratory study and make effort to present the current status of Internet banking in India and the extent of Internet banking services offered by Internet banks. In addition, it seeks to examine the factors affecting the extent of Internet banking services.

4. Merits of Online Banking

Carlson (2000) examined that Technological developments in banking make it much easier and cheaper for customers to compare and contrast products and to establish multiple banking connections and enable consumers to alter the purchasing, decision making process of the customer. SAS Institute AB (2000) concluded that Customers need access to a computer with internet which signifies that the access to a customer's account is solely dependent in technology in the case of online banking. A third party services is required by the bank to run the online banking services to their clients.

Zigi and Micheal (2003) found out that E-banking has enabled banks to increase their data collection, and management, efficient financial engineering that have improved the ability of assessing potential creditors, measuring the creditworthiness of potential borrowers and to price the risk associated with those borrowers through standardized mechanisms such as credit scoring. Kannan (2004) stated that Besides its benefits, electronic banking has its own draw backs as well. One of the main important disadvantages of electronic banking applications internationally is the lack of governmental policies that guides Internet banking operations across international borders.

5. Demerits of Online Banking

Hood (1979) concluded that The evidences of various researches show that there is a high association between consumers' usage patterns of ATMs and their demographic profiles. Ram and Sheth (1989) examined that the customer dissatisfaction and resistance is one of the major causes of market failure of innovation. Aladwani (2001) examined that security and safety are the most challenging issues for the banks. Beside them, to build and retain the customers' trust will also become a future challenge for banks especially in internet banking. Lee and Turban (2001) found out that Majority of the customers hesitate to use internet banking services because of security and privacy issues. Huang et al. (2004) analysed that the security problems have a large contribution to reduce customer satisfaction. The success of any new product and service is highly depending on customer acceptance and customer satisfaction.

6. Online Banking and Customer Satisfaction

Anderson and Sullivan (1993) stated that Overall customer satisfaction has been traditionally treated as a mediating variable in determining the influence of satisfaction antecedents on behavioural consequences. Hart et al. (1990) concluded that dissatisfied customers may be rebounded to the organisation if the service provider accepts the responsibility for the action and resolves the underlying problems. Bearden and Teel (1983) stated that Gratified customers can be powerful influences if they disseminate favourable word-of-mouth views and sometimes attract new patrons as a result. satisfied customers generate high patronage frequency. They tend to remain loyal to the firm, repurchase or spend more with it, and be willing to pay a price premium.

Zeithaml et al. (1996) examined that dissatisfied customers may take actions detrimental to the firm,
including spreading word-of-mouth criticism, switching patronage to another company, complaining to internal and external agencies, and reducing purchases from the company. If a firm specifies customer satisfaction as a primary goal, there is a high probability that it will be successful in enhancing favourable customer behavioural intentions in the long run. Mittal

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et al. (1998) found out that the effects of negative experiences on customer behavioural consequences are often more severe than those of positive experiences.

7. Conclusion

Saving money and time are the most crucial advantages for both banks and the users. Besides, online banking removes geographical limitations for small and medium size banks, thereby international operations without limits can be operated. No or few time limitations for banking transactions are valid as users can perform most of the banking transactions throughout the day, week and from any place they can have access to Internet. In order to create and rebuilt the trust of customer banks should take further strong security measures from every aspect in internet banking services. First is the contribution of technological developments in designing new products and services; second are the implications of competition among traditional and electronic bank branches; and finally are new statistical approaches for analysing and improving data. Banks should also improve and enlarge their contribution through ATM to establish a long-lasting and continuous relationship with consumers. They should focus on significant aspects of confidence and time alone as well as reliable procedures of ATMs and other services. From a research perspective, several issues remain open.

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