

# **Bank Customers' Reception Towards Internet Banking**

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## **Abstract**

The objective of this study is to investigate the factors influencing the reception of bank customer towards internet banking in Malaysia. The literature on internet banking in Malaysia covers widely on the benefits of internet banking. However we find that the usage of internet banking among Malaysian bank customers is still low compared to more develop countries. Our study find that security concern, lack of awareness and reluctant to change or to adopt new technology as the prime reasons for slow reception of internet banking in Malaysia. Bank management could instill greater confidence by providing adequate education on security concern. A lesson to be learnt from the Malaysia experience is that public education and information dissemination should be in line with technological innovation and advances in financial sector.

## **1. Introduction**

One of the technological advances in banking services is the usage of internet to conduct banking transaction. Although internet banking is widely used in developed market, it is relatively new to developing countries such as Malaysia. Hence, the bank customers reception towards internet banking in this countries is somewhat mixed. Some raise their doubt as to the security of fund transfer using internet banking. For Malaysia, internet banking usage is widely used when the central bank, Bank Negara Malaysia permit local banks to offer banking services via internet effective from 1st June 2000. While, foreign banks operating in Malaysia were allowed to offer only communicative internet banking since January 2001. This directive means

the foreign bank are only allowed to use internet facility to communicate their products and services to their customer but not to do any banking transaction using internet. The lead time given to local bank in Malaysia to offer internet banking services compared foreign bank allows them to built capabilities and technological infrastructure in internet banking. This also unable the local banks to compete on even fields with the foreign bank.

This paper investigates the reception of bank customer towards internet banking offered by both local and foreign bank in Malaysia. In view of the implementation of internet banking in Malaysia was introduced phase by phase, it would be interesting to find out the whether the customer are ready to embrace internet banking.

This paper is organized as follows. Section 2, reviews related studies on internet banking, section 3 describes the methodology followed by analysis of results in section 4. Section 5 concludes the paper.

## **2.0 Review of related literature**

Rogers and Shoemaker (1971), said the consumer will involve the process of getting information, influenced, decision and confirmation before they rely prepared or used the product or services. Reception or refusing towards products innovation will occurred when consumer know and realize about Moore (1982), Guiltian and Donnelly (1983) stress on how important it is for a person to be aware of new innovation on new product. On the other had Cooper (1997) said a new product cannot be sold without any marketing efforts.

Trethowan and Silicone (1997) (as extracted from Daniel 1999) mention that the merits on internet banking are it is easy to use, sale orientation and it can reduce bank cost. Consumer reception towards any new products or services not only depend on consumer awareness but also depend on other factors. Cooper (1997) said that if new product is too complicated or difficult to use therefore the consumers would reject them. Daniel (1999) find that the main factor influencing consumer usage of electronic banking in the United Kingdom and Ireland is that the product is easy to be used. Security is also one of the main concern of internet banking usage (Cooper, 1997: Daniel, 1999 and Rothwell and Gardiner (1994). This factor is supported by O'Connel (1996). Steward (1999) identify that one of the main factors contributing to the failure of internet for retail distribution is lack of confident in the website.

Based on Quinn and Meuller (1982), it is natural for people not to change or incline to reject any new changes. To ensure that consumers are receptive to new change, the technology introduce must meet the required needs of customers (Wallis report (1997)).

### **3.0 Methodology**

Questionnaires are used as instrument to find out the reception of bank customers towards internet banking. The questionnaires adopted from Milind Sathye (1999). A 34 item questionnaires was used to measure 4 constructs namely demographic characteristics, exposure, infrastructure facility and reception aspects of internet banking. To enhance reliability and validity, great care was taken while designing the questionnaire. A five Likert Scale measurement was used to measure the responses to the question asked: 1= Strongly disagree, 2= Disagree, 3=Unsure, 4= Agree and 5= Strongly Agree. A pilot test was conducted among 30 internet banking customers. The pilot test highlights some of the problems in the questionnaire. These problem areas were then sorted out. The revised questionnaires were subsequently distributed to 200 respondents using random sampling technique

76 questionnaires were returned. This represent a 38% response rate. In addition to the questionnaire, we conducted field interviews with some of the respondent. This method is used to ensure that a more accurate feedback is obtain. The data is analyzed using descriptive statistics, ranking analysis.

### **4.0 Analysis of results**

Analysis of demographic characteristics reveals that 43.4% of the respondent are male, while 46.6% are female. 73.7% of the respondents are in the age group between 26 to 35 years old. 100% of the respondents have said they are aware of internet banking services offered by the bank. 81.6% of the respondents stated that they know about internet banking through internet. The next main sources of the information is from television (69.7%). A surprising finding is that customers know about internet banking not from bank officers. This findings suggest that bank officer are not active in distributing information or creating awareness on internet banking among the customer.

We obtain information that 81.6% of the respondents claim that their bank offer internet banking services. However 14.5% mention that they are not aware of the internet facility offered by their banks. The remaining 3.9% of the respondents states that their banks do not provide internet banking. This

results suggest that most of the bank in Malaysia provide internet banking services to their customer.

Table 1 : Have you used internet banking?

		Frequency	Percent
Valid	Yes	24	31.6
	No	38	50.0
	Total	62	81.6
Missing	System	14	18.4
Total		76	100

Result in table 1 shows that 50% of the respondent did not use internet banking. This is rather unexpected considering that 81.6% of the respondents are aware of the availability of internet banking offered by their banks. This finding shows that at least in Malaysia, there is still a large number of bank customers who do not use internet banking services in executing their banking transactions.

Table 2: Why are you not using internet banking facilities offered by your bank?.

Reasons	Mean score (out of 5 total score)
Worried about security aspect	4.13
Difficult to use	3.03
Reluctant to change from existing facility	2.82
Lack of knowledge and awareness	2.72
Unreasonable cost	2.71
No access to internet	2.16

Table 2 highlights the reasons for low usage of internet banking among the respondents. It appears that security is the main factor that contributes to customer not using internet banking facility. This finding is consistence with Sathye (1999), Cooper (1997) and Daniel (1999). Hence, the information on the security aspect needs to be presented in simple and non technical form so that the customer can understand and feel confident about using internet banking. This is in line with Gardnier (1984).

Another important factor that limits the reception of internet banking among bank customer is the difficulty of using the system and technology connected to the internet banking. The resistance to change or using new techniques could be the reason for not using internet banking. This findings is in line

with Quinn and Mueller (1982). Thus, issues like lack of awareness about the internet banking services and its benefits, difficulty in use, resistance to change need to be addressed by bank managers. Customers should be adequately educated to gain better reception of internet banking.

## **5. Conclusion**

The objective of this study is to investigate the factors influencing the reception of bank customer towards internet banking in Malaysia. The literature on internet banking in Malaysia has covered widely on the benefits of internet banking. The government also provides incentive to encourage families to own computer by giving a RM500 tax reduction for purchase of computers. However we find that the usage of internet banking among Malaysian bank customers is still low compared to more develop countries. This is also supported by Mckinsey (2001) which find internet banking usage among consumer in Malaysian is only 2%.

Our study find that security concern, lack of awareness and reluctant to change or to adopt new technology as the prime reason for slow reception of internet banking Malaysia. Bank management could instill greater confidence by providing greater education on security concern. We suggest that bank management provide some form of guarantee the safety of fund transfer or banking transaction using internet banking. Our study also obtain several recommendation from bank customer on how to increase internet banking usage. These include more internet banking services available, internet banking services that is more “consumer friendly”, as well as they should be better integration between since more customer involve in cross banking transactions. In addition the banks should conduct more marketing program and promotions on internet banking usage. A few recurring problems such as server down, off line, network failure, operation time out (while transaction is on going) should receive greater management attention to solve this issue in order to stimulate greater adoption of internet banking in Malaysia. A lesson to be learnt from the Malaysia experience is that education and information dissemination should be in line with technological innovation and advances in financial sector.

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