

Online banking is an alternating technique marketing essay

[Business](#), [Marketing](#)



LITERATURE REVIEW At Present banking industry contains many different products, such as, deposit products, lending products, utility bill payment services, transferring of money, paying of salaries, credit and debit card services. In the past customers had to visit a physical branch to meet their banking needs, this has been changed with the enhanced technology adoption with the banks and now it has been gradually shifting to internet banking services. Recently, internet has been found as the prime channel for delivering banking solutions for general public. This popularity of internet has made the global and local competition very violent. The behavior or intentions of people have been considered as the main determinant in successful adoption of internet and technology. Researchers in the past have paid attention to the factors such as convenience, compatibility and relative advantage for the adoption of new technology, with almost less attention towards the demographic factors and their influence. There are very few who have identified factors of age, income, and education level and gender on the acceptance of the banking technologies. Also, age accessibility of internet, education and the awareness of electronic banking and resistance of users were of paramount importance. Others have identified age, marital status, ethical background, qualification, and income and residence area as the drivers. The disparities among the adoption of male and female users were deemed to be varying according to studies. Many of the researches have based their findings on the experiential evidence that acceptance of electronic banking is more in cases with higher level of education and higher level financial status in consumers or general public. Individual attitudes that customers have and their beliefs are of more importance than factors of

demographics for the adoption of new technology. Some of the researches have come up with the conclusion that the levels of education that is obtained by the individual consumer, along with the guidance given to these customers about the popularity and benefits associated to technology are main drives of acceptance of online banking. Internet has been viewed as a medium that has brought innovative change to the world of technology. Also some researchers have identified the lower level of awareness among customers about the online banking and low level of confidence has been the factors that result in lower acceptance rate of online banking. Online banking is an alternating technique of banking that with speed with the current world. Once first initiate, internet banking was used mostly as a presentation medium by banks to market their products and services on World Wide Web. When technologies are growing with more secured electronic transaction technologies, equally, more banks have move toward to use online banking to do their marketing as well as banking. With online banking facilities, banks can obtain many advantages, like expanding their business network. In addition, by implementation online banking Sri Lankan banks can eliminate their physical boundaries and limited operations time frame from other banks. If you have the facility no needing to visit into a bank branch, the internet banking permits you to do a range of transactions with your online banking accounts. With many value added services. Furthermore this facility can be operated from anywhere that there is a computer with the internet, and facility open to access 24 hours day, 7 days a week. The most beneficial one of using online banking is that the banks gain from online banking provisioning in which they may have a competitive advantage when

compared with other banks that do not have this service. Increased customer loyalty in using online banking will encourage increasing banks financial performances as indicated by increase in revenue and reduce operational costs. Even though with internet banking facility no needing to visit into a bank branch, still this does not completely replace all the functions of the branches of those banks. Therefore the customer still has to walk to a branch physically for certain dealings. There are several strengths, weaknesses, opportunities, and treats have been identified in internet banking services in many previous researches done by many countries of the world. Some advantages for the banking industry are in the fields of cost reduction, effectiveness, time saving and satisfaction of consumer requirements (Central Bank 2007). The internet banking (anywhere banking/online banking/home banking) services was first introduced to the world in the United States in 1981 followed by the UK in 1983 (Cronin 1997). This has become a challenge to the bankers to introduced and market it to their various product using customers groups. In most of the countries respective governments are now trying to improve and develop the e-knowledge of the population and the infrastructure facilities of the county. With a high internet usage about 80% in general population the USA bankers are targeting to achieve a 20% internet banking customer base (Central Bank 2007). Private sector banks have contributed to initiate many new technologies to the banking field of Sri Lanka. Tele banking, SMS services, ATM services to operate the accounts from any branch, was gradually introduced in to the banking industry. Also the Credit and debit card usage and the promotions have been increased in resent past and this has become

a major cost sinking product of the banks now. Internet banking has been newly introduced by several commercial banks in Sri Lanka during last decade and it is still in the development stage. With the introduction of internet banking several customers who are used to the traditional branch banking, are now experiencing the virtual banking environment. There are many factors affecting the expansion of the internet banking sector in Sri Lanka. Security issues, confidentiality issues, computer and language illiteracy, lack of human touch, are identified as some of the factors preventing the use of internet banking in Sri Lanka (M S Zarook, 2010). Furthermore unavailability of internet facilities and computers is also a major issue for the internet banking sector usage expansion. These facilities in Sri Lanka are now in a stage of expanding and the improvement of these will help people to becoming more computer literate in Sri Lanka. Consequently a significant growth in number of internet banking users is expected in Sri Lanka if the customer concerns are properly addressed (M S Zarook, 2010). The lack of awareness, inexperience and lack of resources was identified as the barriers in some parts of the world especially in African and Asian countries (Chiturat et al 2008). The concerns are not only avoided the individual consumers, also the enterprises in using some of the features of internet banking. The lower operational cost, decrease of manual work, decrease of usage of mail and courier services appear as positive factors for the banks to promote the internet banking features (Thulani et al 2010). Recent World Bank reports have stated many companies engaged in international and national business have put a greater amount of investment into IT and related infrastructure facilities. The observable fact has been

attributed to the fact that IT related investment causes the organization's expansion change to be positive. It also increases the organization's capability to battle with the competition (Bell, 1976). Thus increasing investments in IT will positively effect on different areas of operations. An example, as per the World Bank Reports such investments have enabled individual businesses to increase profits and sales revenue through volume increases. It has been noted some large companies have experienced negative growth despite increasing investment in IT. As per researches' such failures have been integrated with organizations policy shortcomings. The resent global economic crisis has had its negative impact on internet banking developments too. Global financial crisis has had a negative impact on big banks during the period from 2007 to 2009. According to Mackay (2003) the constant fall in demand and the related supply snags in the world economy have forced companies including banks to rely on internet related strategies in their operations. The limit to which the national operations of banks are influenced by the global financial crisis is not well known though. According to Mattelart, (2003) online banking strategies expect the management to adopt well defined corporate goals that are more likely to be different from one bank to the other. While some blue chip banks might be faced with a completely different set of alternatives in policy small banks might have a different set of drivers in the face of competition. Large banks on the other hand have the strategic advantage in adopting such practices to achieve growth irrespective of the economic environment since they can coordinate their efforts across a broader spectrum of activity (Shapiro, and Varian, 2000). Large commercial banks, backed by their bigger investment

funds and the ability to procure supplies, are expected to do better. However it is said that while small banks are not at a particularly large drawback because they are also able to capture niche market segments and operate successfully (May, 2002). As such it must be noted that the online banking policies play a very important part here. Malhotra and Singh (2007) have said that the plenty of literatures on adoption of new technology, and only few has done in financial industry. " Consumers go through a process of knowledge, persuasion, decision and confirmation before they are ready to adopt a product or service. The adoption or rejection of an innovation begins when the consumer becomes aware of the product" (Rogers and Shoemaker, 1971) cited by Zarook (2010). Internet Banking increases banks revenue Sayar & Wolfe (2007) have stated that the developments in technology are changing dramatically the way retail banks carry out their business, the changes are rapidly increasing due to the introduction of the internet and the subsequent evolution of Internet Banking. Al-Abed & Insley (2003) identified that Internet Banking uses the Internet as a medium to carry out banking activity. Furst, Lang, & Nolle (2000) have mentioned that amongst the reasons for Internet Banking, it is believed that electronic banking and payments will rapidly increase, more or less in tandem with proliferating electronic commerce; industry projections that Internet Banking will minimize banks costs factors and increase banks revenue growth, and make banking more convenient for customers. Increasing usage of Internet banking might reduce cost ratios of banks. And many analysts have recommended banks to offer internet services in order to benefit from the low cost delivery channel offered by the Internet compared to the branch

networks with physical staff. Sayar & Wolfe (2007) cited some of the benefits of Internet Banking, such as; The adoption will mostly effected by cost minimizing, new revenue potential, security and access through other distribution channels, the improvement in efficiency of customer services are considered as the main advantages of offering Internet Banking services Bughin (2003) proposes that cost-effectiveness and size are two critical factors for banks ' adoption decision although Nickerson & Sullivan (2003) identified the profitability of exercising these benefits and entering the market for such Internet Banking services will depend on both the uncertain strength of consumer demand for Internet Banking services. Internet Banking for Customers Without having to pay a visit to the bank Internet Banking offers customers to do their regular banking transactions online. In Sri Lanka the online banking facility is targeted and used by personal bankers and corporate customers. Many corporate customers prefer to use alternate methods to carry out their transactions by telephone or visits to the branch. Nickerson & Sullivan (2003) identified that uncertainty over the extent of consumer demand for retail Internet banking services is pervasive. Internet banking services allows customers to access their banking accounts from anywhere and at any time of the day, it gives advantage to customers to be able to manage their finances properly and in a convenient way. (Ndubisi 2006) Previous Research Findings Consumer resistance to an innovation is caused by functional barriers and psychological barriers. (Ram and Sheth 1989) The usage barriers, the value barrier risk barrier, are indentified as Functional barriers and tradition barrier and image barrier has identified as psychological barriers. Ram and Sheth

(1989) noted that functional barriers arise when consumers perceive changes would take place when adopting innovation and the psychological barriers are caused by consumers' beliefs. Reviewing previous research and study would help to identify common barriers in the adoption of innovation, and more specifically on Internet Banking. Parasuraman (2000) has set up a Technology Readiness Index (TRI) framework of four factors; optimism, innovativeness, discomfort and insecurity. Parasuraman (2000) says that optimism and innovativeness factors are indicators of technology readiness of people, whereas discomfort and insecurity factors are restrains. Gerrard et al. (2006) have noted that if consumers are not Internet Banking users, they are likely to express factors such as discomfort and insecurity about the service and feel less optimistic and innovative about technology. There are very few have attempted to investigate into the reasons why Internet Banking is less popular amongst internet users and in the Sri Lankan context. Still there is no research done in Kandy district to find out why internet banking is less popular in the city and what the main reasons behind that. Online banking or e-banking is a single aspect of the overall banking strategy. The bank's ability or inability to identify and address the most important aspects of its strategic operational environment would decide the success or the failure. In other words there are both advantages and disadvantages associated with such outcomes (Castells, 1998). Despite these possibilities simple e-banking practices tend to empower the bank's staff to differentiate its products from the rest of competitors. In other words this study would find how internet related developments at the bank's level have been essentially influenced by the changing online banking policy

environment (Graham, 2001). Thus policy related impediments might affect even internet driven expansion. When internet related advantages are increasingly present, it is possible to increase market access through a slew of efforts including target marketing online. On the other hand big banks would have much less trouble in increasing its strategic presence in the market because much of their market operations depend on the ability to market the product by using better communication and coordination (Molina, 1990). For example good customer relations would enable the bank to reach the customer in right time at the right place. Finally some writers have suggested that an innovative approach is necessary for the bank's e-banking strategy to be successful. A recent research study shows that the individual bank level innovation has a decisive effect on the goals of the organization and subsequently the e-banking and liaison efforts of the bank in the country might be negative if the management tends to ignore the benefits associated with such innovation (Haythornthwaite, and Kendall, 2009).

Security concern Reliability consists of security and privacy in Internet Banking transactions and reliability is the prime factor as mentioned by Polatoglu & Ekin (2001). They say that security concern also include financial risk, physical risk or social risks associated when trying an innovation. They state that security risk is as one of the major obstacle in online banking adoption. Zhao et al. (2010) mentioned trust in a bank is the fundamental because it deals with customers financial activities. Customers trust can reduce the risk factor and in general it also increases the customer loyalty. Gerrard et al. (2006) has identified risk as an important factor in internet banking adoption. All respondents who were non users of internet banking

services had a negative perception of the security in Internet Banking. There thought was that there were many security risks connect when using the internet. Respondents felt the privacy is a concern, feeling all their financial information could be in jeopardy." Concern about risk was mentioned by all respondents. How can banks best address this problem?" Gerrard et al (2006). To answer this question Gerrard et al. (2006) suggest that maybe asking opinions of both users and non-users of Internet Banking on how to improve or elevate the security which may address this concern in all banks. Risk was one of the two most frequently mentioned factors in their study. An investigation conducted by Sathye (1999) on the adoption of Internet Banking by Australian consumers also identified „ security concerns“ as key factor in internet adoption. Sathye (1999) has indentified security as the biggest obstacle in adoption. Sathye (1999) further state that, a survey conducted by Thorton Consulting (1996) in USA concluded that 67 per cent of banks in the USA felt that security is a key anxiety in Internet Banking. Similarly in Laukkanen et al. (2008) risk is considered as the main barrier and the greatest concern in the adoption of Internet Banking. " A higher determinant of resistance appears to be the risk related to the individuals' perceived ability to use the innovation successfully, i. e. self-efficacy" Laukkanen et al. (2008). Nevertheless, in this study consumers said human errors by themselves could cause a threat to their financial services. Losing their PIN codes and it may get it to the wrong hands and result in crime or theft. However, in an empirical investigation in Turkey by Polatoglu & Ekin (2001) states that Internet Banking services initiate by large, well-known and trusted banks, customers' perceived security in these banks is assumed to

be decreasing significantly. In the same time security factor is a barrier to banks corporate customers as well. Rotchanakitumnui & Speece (2003) have done a survey on the barriers to internet usage on a corporate customer perspective and found that trust (risk) is the main barrier. Their research states that corporate customers only use Internet Banking to a certain extent and believe banks should invest more on security infrastructure and banks have to take full responsibility. Many researchers have identified security concern was the top ranked factor for banking customers and internet users to not to adopt Internet Banking. Also risk factor identifies as an important factor in influencing a customer's decision in the acceptance of Internet Banking in many countries. It also clear that all banks are conscious of this problem and trying their maximum to convince its customers the safety Internet Banking service provides. Customer approach In fact some analysts have suggested a customer related approach that involves operations which would empower banks to target and win over strategically significant markets in the world. Assuming that the bank has a faulty e-banking policy and its local liaison operations are not going to generate synergies in the markets where it operates then it might be possible that online banking efforts would suffer a drawback (Castells, 2001). Organizations' communication structure has been evolving in different directions. The following e-banking developments have been the result of such communication structure related outcomes. •ICT infrastructure. •Communication policy. •Cost related developments. Banks are influenced by their coordination efforts in their markets are essentially influenced by these three spheres of development (Robins, 1999). The

availability of sophisticated ICT infrastructure – networks, hardware and even licensed software – enable banks seeking to increase services locally so that all related advantages such as greater sales volumes through marketing efforts become available (Castells, 1997). These benefits add to the bank's ability to capture markets share of the rivals. Especially smaller banks are able to capture niche market segments from rivals. As for cost related improvements many banks looking to coordinate national efforts in niche markets have been constrained by increasing costs of online banking related infrastructure (Fuchs, 2007). For instance not only the prices of equipment have gone up in the recent past, but also service sellers like Microsoft have introduced more strict service and license agreements. As a result the cost factor has played a negative role in banks' expansion strategies. In the recent past ICT hardware and software equipment sales have experienced a drop. However, according to strategies the drop has occurred mainly due to a drop in demand for finishing products (Loader, 1998). In other words while larger banks have been affected mainly due to substantial decrease in turn over in mass markets, smaller banks have less been affected though when it comes to meeting cost connected constraints successfully, the latter are finding it more hard. Recent efforts at market segmentation even include such highly theoretical frameworks as the determination of characteristics of segmented sub-categories on the basis of their inherent behaviours, e. g. psychological perception. Communication strategy is often determined by the ability of the communicator to reach as a wide and varied customer base as possible by using a given amount of resources during a given amount of time. The divergence occurs when communication fails. HNB's inability to

persuade its upcountry customers to accept e-banking as the better alternative has received wider attention here. Multiple platforms are those operating environments that include two or more modes such as CPUs and operating systems. In other words multiple platforms enable the user to integrate in to the operating environment at multiple levels such as internet surfing and communication (Fitzpatrick, 2002). These multi functional environments not only are seamlessly integrated but also independently determined. Multi platforms are intrinsically capable of enhancing the quality of the operating environment to such an extent that along with speed techniques can be incorporated without the user being put off by increasing difficulty levels. Further multi platforms permit the user to create environment specific synergies such as multi modal communication and independent operations. In other words only the functions would be integrated (Hutton, and Giddens, 2000). Multi platforms have become more complex due to the integration of multi level tasks in to the operating environment. For example while the operating system is just an empowering tool, digital communication web portals such as Google would simultaneously empower the user. Schofield (2009) speaks about considerable research efforts that invariably identify the existence of some sound correlations between online banking and the communication function at the organizational level. This researcher has tried to show the most important aspectual overview of the research in the delineation of banking functions as determined by the internet. Also there is considerable reflection on the state and relevance of current research. Future research possibilities in the field are discussed in depth to show how theoretical underpinnings

evolve in time and space with specific reference to viral marketing efforts of banks (Negroponte, 1995). However the research segment of this paper places emphasis on the qualitative aspect of it rather than the quantitative aspect. (Yu, 2006). Competitive approach

The appropriateness of the strategic competitive approach depends on the bank's have ability for the functional integration of all its strategically vital functions from marketing to delivery so that competitive gain will be achieved. Lateral integration of functions across a firm to achieve competitive advantage against other similar banks in the industry is a well known business method. Integration means controlling bundles of resources in addition to controlling expenses. Tactical strategies adopted by firms to avoid risk are common in every business. Such strategies have been criticized by several writers due to their escapist element. As such strategies are part and parcel of the decision making practice. The average bank isn't an exception to this rule. Banking functions depend on the qualitative outcomes connected to the bank's communication strategy. Online banking is part of this policy. However it is the internet based technological environmental influences that have impacted heavily on the organizational aims and outcomes of the present banks. Particularly the operations require to be updated in line with competitors' strategies. Modern equipment costs dearly when innovative approaches are introduced. The large organization has the resources to meet these new obstacles. Operating a separate department would cost dearly and as such the organization's capacity would be decided mainly by the technological improvements that the management is able to introduce.

Diversification or product differentiation is practiced by banks using service

quality. The banking services industry all over the place has been more and more oriented towards meeting these technology-based demands of a new generation of customers. For example the bank that introduces internet banking facility 24 hours of the day is in a better position vis-à-vis its rivals in the market and thus able to achieve both horizontal and vertical aggregation of synergies such as turn-over and market penetration. Mobile banking technology hasn't yet reached many customers even in other parts of the world. In fact it is not a secret that technology advantage in the banking sphere is growing exponentially each day. The banking industry has been highly influenced by modern technology. Online banking facility has reached millions of customers throughout the world. Right now internet related technologies are widely purchased by banks with a view to enhancing their customer integration activity. In other words customers are just added to the network through the internet. The facility enables the average customer with access to a computer and the internet to carry out transactions with his bank. However while payments can be made by using a credit card or a debit card, cash cannot be received in person unless there is a prior arrangement with a bank to deliver the money at the door step. Internet related technology has gone one step further in enabling the customer to do business at his own will and his own time. However these conveniences are not without risk. For instance phishing, identity theft and identity fraud are common on the internet. Yet the average customer is under the impression that such risks are minimal and therefore online banking has more advantages than disadvantages. Above all banks, both small and big have invested billions of dollars in new technologies. Researchers have been

making a huge effort at identifying the application of the effective performance measurement metrics to e-banking and identifying a number of inconsistencies between the academic theory and the real global practice. In the first time such practices have been mainly and immediately noticeable in such firms that moved rapidly to enroll in the online trade in recent past. For instance according to Kleindl (2002) e-business is the utilization of internet-based information and communication technologies (ICTs) to perform business (including sharing information, maintaining relationships and conducting transactions) within and between companies or organizations. Internet World Stats (2008) shows that over the past few years every company has got themselves involved in the online e-business people. Banks are mainly drawn into the e-business world and the proportion of employees involved in e-banking connected activities at main commercial banks in Sri Lanka has been increasing fast. Laudon & Traver (2008) identify that e-banking increase with the increase of networks. The fast growth of social networking in modern times has influenced the e-banking services industry to expand away from its pre-planned boundaries. It is an electronic marketing technique or concept which has accumulated in confidence and popularity among the users in the west, later on it spanned right around the globe. Its figures in the last two years are a living proof of its craze among the customers of the networked world. Evidently maintaining quality of service of products in a uniform manner is of highest importance to remain popular. The wants and needs of people change with passing of time and technology, hence it is equally important to preserve the advantages and overcome the disadvantages of the existing products and services. Online banking, online

bidding, online reservation of air line tickets and online shopping are some of the best examples in hand. E-banking performance cannot be calculated using conventional techniques or metrics. For instance according to Alfaro (2002) profitability ratios and income ratios in e-businesses do not yield the equal results as in the case of non-business. As a result a system of matrix based on a number of the conventional matrix stated above must be used with some modifications. Chief Information Officer (CIO's) most of the time mentions that much improved measures of the payoffs of e-banking operational and capital investments are wanted to point out the value creation of e-banking initiatives and to gain extra resources for critical e-banking projects. The steps taken are important to assess the key performance drivers (inputs and processes) and assess if the e-banking initiative is achieving its stated objectives (outputs) and as a outcome contributing towards the long-term victory of the firm (outcomes). According to Lee (2008) it is vital to consider how users' online behavior is as they interact with a web site. Further he emphasized that modern research into the human computer interface is mainly focused on the usability of the core web site. However, it is important to value customer's interaction with e-banking which goes beyond the interaction with the web site. Other features such as security in credit card handling, delivery of products, after sales service via email, or with call centers make e-banking practice all the more complex for the average consumer though. As sure metrics which only measure web site usability will not explain user performance where customer performance wants to be understood in relation to the broader service delivery system. Linking e-banking performance with business

strategy is hard. Lots of writers have argued there is a need for an e-business or banking strategy that offers an integrated top-down approach towards e-banking projects. For it is only through the strategic use of the IT of e-banking that any sort of competitive advantage can be secured. Many managers have accepted that further investment in latest technology and e-banking is very important in that it is needed to maintain or build up a competitive position. Chang & Jackson (2003) in their research study pointed that, most of the time they spend without performing rigorous analysis. However, currently more rigorous economic environment and the widely publicized negative impacts of numerous e-banking initiatives have caused most managers to question the payoffs of e-banking investments. As company identifies the choice of appropriate measures to assess e-banking initiatives, various issues crop up, as the choices are different for each company, since the strategies, structures, and systems are different, substantial customization is essential. Corporate management of a bank should consider initial factors that can lead to the development of suitable measures for e-banking operations: it is very important that firms not only particularly tailor made their e-banking measurement approach, but adopt many different strategies to fully examine their situations (Lyytinen, & Rose, 2003). Varying measurement criteria are vital for banks that have different strategies or may be in a different stage of their life cycle or their e-banking development. Hence the various measures will usually be inclusive of both financial and non-financial measures that are leading and lagging indicators of performance. That could be used in a balanced scorecard, shareholder value added, or other approach and can be developed particularly for IT or e-

banking or as a part of an overall corporate performance measurement system. Banks can also use a weighted scoring system to measure investments related to overall IT, e-banking strategy. There are various impediments to executing a successful measurement technique; whether a lack of focus, a low priority, or just difficulty (Straub & Hoffman, 2002). It is the duty of corporate managers to assess the e-banking measures and plan on the right initiatives for their bank and make sure that the measures are captured and responded to properly. To get adequate resources for e-banking and to effectively manage its activities, the payoffs of e-banking investments must be calculated and put together into management decision-making systems.