

Chapter IX

Key Drivers of Internet Banking Adoption: The Case of Spanish Internet Users

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ABSTRACT

The objective of this chapter is to provide students and managers with a holistic view into the different factors that influence online banking adoption and to use the study's findings to develop strategies for managers on how to maximize the rate of Internet banking adoption. Research done with a sample size of 450 Spanish Internet users has highlighted that Internet banking adoption is more likely in young, highly educated, and high-income consumers. Internet affinity, online use experience, and some perceived benefits are also key drivers of online financial-services-purchase decision making. Perceived financial, social, and psychological risk negatively influences the use of online banking services.

INTRODUCTION

Information technologies are encouraging the use of new shopping methods such as online and mobile shopping that are favouring economic growth and providing companies and

consumers with additional benefits with respect to traditional shopping channels. In the world of banking, IT has led to significant improvements in terms of more flexible payment methods and more user-friendly systems. The development of online banking and electronic payment systems

by financial institutions will result in a more efficient banking system.

The indicators used to measure banking system efficiency include the cost-income ratio. Increased competition in the sector requires the search for new sources of income and/or cost contention (Otto, 2003). In this respect, the use of e-banking as an alternative distribution channel for banking services makes it possible to save on costs and will undoubtedly contribute toward improving the bank efficiency ratio.

The properties of the Internet (time and cost savings, error-free service, etc.) make it an ideal medium for delivering banking services (Howcroft, Hamilton, & Hewer, 2002). Sundarraj and Wu (2005) looked at other distribution channels such as mobile banking services and interactive TV sets, and argued they would greatly expand the market for personal financial services.

Several studies report that online banking is the most profitable division in banking (Mols, 1998; Pikkarainen, Pikkarainen, Karjaluoto, & Pahlila, 2004). Banks get notable cost savings as they can operate in a more efficient way, reduce their branch networks, and downsize the number of service staff. The success of online banking in Spain is evidenced by the number of current and potential users of these services, with 45% of Internet users frequenting financial Web sites (Nielsen/Netratings, 2006), and also by the fact that e-commerce with credit cards reached the figure of €1.2 billion (4.8 million operations) in 2005, an increase of 74% over the previous year (Comisión del Mercado de las Telecomunicaciones [CMT], 2006).

Despite the growing importance of online banking, there are still not enough studies that provide a holistic view of factors influencing Internet banking adoption. It is also crucial for managers to understand which aspects customers of financial services value the most and the barriers to adoption in order to assign resources effectively to obtain competitive advantages and increase efficiency in the banking system.

Previous research into Internet banking has mainly focused on its adoption in the context of high e-commerce adoption rates in regions such as North America, Denmark, the United Kingdom, or Finland (Daniel, 1999; Mols, 2000; Pikkarainen et al., 2004) and to a lesser extent in developing regions such as Malaysia, Taiwan, and Turkey (Jaruwachirathanakul & Fink, 2005; Polatoglu & Ekin, 2001; Suganthi, Balachandher, & Balachandran, 2001). This study offers an insight into online banking in Spain, which has not previously been investigated. Distinct differences and common trends between Spain and other countries were observed with clear indication of marketing strategy to be deployed by the service providers.

In this chapter, we define online banking as “an Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments” (Pikkarainen et al., 2004).

The chapter aims to present an in-depth study of the factors influencing online banking adoption. The chapter’s specific goals are the following:

1. Provide a holistic view of factors influencing online banking adoption.
2. Identify consumer segments more likely to adopt online financial services.
3. Analyse the perceived benefits and barriers that encourage and discourage the adoption of Internet banking services.
4. Provide empirical research on the Spanish market that analyses the influence of demographics, online experience, attitudes toward the Internet, and perceived benefits and risks in the decision to use online financial services rather than traditional ones.
5. Provide future trends in the Internet banking industry and use the study’s findings to develop strategies for managers on how to maximize the rate of Internet banking adoption.

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