

Banking on benefits

April 26 2010

People make the decision to use internet banking either because they recognize the benefits or because of peer pressure but rarely because of perceived prestige or celebrity endorsement, a study published in the *International Journal of Banking, Accounting and Finance*. The research hints at how banks could improve the spread of internet banking simply by improving the services offered.

From a bank's perspective there are many advantages to persuading their customers to adopt internet [banking](#) - clicks, as opposed to bricks, and mortar banking, as it were. Primarily, there is the reduction in staffing, which can reduce overall costs, even if information technology and online security systems must be put in place and the reduction in buildings infrastructure required to service customers. There is also the potential for increased revenue through increased transactions and customer activity facilitated by the ease with which they can carry out different tasks online without having to visit a bank's premises.

Internet banking is being adopted by customers as a viable alternative to managing their money with approximately 55 million US [households](#) routinely using online banking. Some banks are already internet only and offer preferential interest rates and terms to their customers. However, there are many people yet to adopt online banking, which represents a significant challenge to banks that would like to see increase their virtual customer base.

Understanding what makes people adopt a particular technology could be crucial to the future success of internet banking, say Weihua Shi and

Kenneth Zantow of the College of Business, at the University of Southern Mississippi, Long Beach.

They point out that while there are various research models that have attempted to explain the [adoption](#) of new technologies, the majority of these assume that people make a rational choice based on a systematic decision process. In many cases this may be entirely contrary to how people behave and they suggest that it is more likely that people simply follow the herd. If large numbers of people are already using a particular technology, then once a tipping point is passed, [peer pressure](#) causes other people to adopt the innovation too.

Imitation, they say, is the best form of flattery, and yet there are very few published research studies that discuss how irrational imitation can influence technology adoption. Shi and Zantow hope to remedy this situation and have looked at three types of imitation: frequency-based, trait-based, and outcome-based that influence adoption. Frequency-based imitation simply implies that people will follow the herd, individuals are more likely to imitate an action if that action has been taken by a large number of other individuals. Trait-based imitation is usually associated with individuals taking a particular action because other specific people whom they hold in high regard have previously taken that action. Outcome-based imitation is a more sophisticated approach to decision making in which individuals assess the impact adoption of the technology has on other people.

The team questioned individuals on their attitudes and their adoption of internet banking and adjust their results to control for gender, age, and income.

Specifically, for frequency-based imitations, respondents were asked to indicate the degree to which they agree that using internet banking was popular, particularly in their peer group. For trait-based imitations,

respondents were asked about whether people of high status use internet banking and whether that in itself is a status symbol. For outcome-based imitation, the team asked whether people using internet banking were more efficient and profitable in their banking. A sliding scale of agree-to-disagree was used and the team could then analyze the data statistically.

The results showed that frequency-based and outcome-based decisions were the strongest predictors of whether someone would adopt internet banking. "The results indicate that awareness of the positive outcomes associated with internet banking, or that a large number of customers had made the decision to use internet banking, would influence potential customers to jump on to the bandwagon," the team says.

Moreover, banks could boost adoption if they improve the online banking service as outcome-based decisions were predominant rather than people simply following the herd. Trait-based imitation was not a significant factor. While other products are often associated with celebrities or other successful people through their advertising efforts, the participants in our study indicate this may not be helpful for promoting internet banking," the team says.

More information: "Why use internet banking? An irrational imitation Model," in International Journal of Banking, Accounting and Finance, 2010, 2, 156-175

Provided by Inderscience Publishers

Citation: Banking on benefits (2010, April 26) retrieved 18 April 2024 from <https://phys.org/news/2010-04-banking-benefits.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.