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Analysis of Factors Influencing Customers' Attitude toward Online Banking

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Abstract

The evolution of information technology has fundamentally changed consumers' banking behavior. While the acceptance of new technologies is not yet complete, online banking conditions and services are becoming more and more attractive to the customers. The purpose of the research presented in the paper was to identify the factors that affect customers' attitude toward internet banking. Data was collected using questionnaires containing several statements regarding traditional and online banking practices.

The protracted process of adopting online banking can be accelerated by financial institutions themselves through the development of their digital identity, promotion of their online products and improving their social media presence.

Keywords: Internet banking, digital identity, social media presence

1. Introduction

Technological development significantly influence commercial banking activities, pose serious marketing and communication challenges for marketing professionals working in residential services. Customers' decisions regarding bank-choice have been studied in numerous research projects. Researches refer to factors such as: service charges, service quality (including financial advice, staff competence and kindness, promptness), product/service choice, convenience (accessibility, bank branches, number of ATMs) and recommendation. Bank's reputation has also been identified as one of the most important decision-making criteria, but the bank's share capital and the quality of communication were also mentioned in several cases. (Gebremeske, 2014) Consequently, along with the continuous development and promotion of digital banking services, it is important to create and maintain the digital identity of the bank, to coordinate innovative communication tools and traditional advertising.

Thus, the service provider strives to meet the challenges of the age, but there is a question, however, whether the user side is also well-prepared and receptive to new technologies, modern forms of communication. Perhaps the most important task for market players is to overcome the resistance to novelty, typical of most customers. In this study, inter alia, we examine consumer expectations related to digital banking based on the results of primary research. In addition to mapping online and traditional bank preferences, we strive to examine the views of the participants in the research on the opportunities for banks to appear in social media.

2. Digitalization trends in financial services and in banking sector

The spread of digital technology revolution and online services is an exciting research topic in many respects. Traditionally, the financial services market was an institutionally strictly regulated sector with high entry threshold. The evolution of information technology, among others by reducing costs, destroyed entry barriers. Changes in the market environment, the new type of competition offered several strategic solutions for the banking sector players at the beginning. "Brick & click" is a widespread e-commerce model that referred to companies that had multichannel sales, that is to say, besides their digital commerce they also operated a traditional offline network. The model was well adaptable to the banking services market. So-called "brick" companies are market players with a long history who could develop their digital business along three strategies: (Hensmans et al., 2001):

- The core of Complementary Clicks strategy was the implementation and market introduction of developments carried out with the help of external actors, proficient in digital areas, and conducting developments under the auspices of joint ventures
- In the Autonomous Clicks strategy the traditional company was represented on the market through a stand-alone, specifically designed for on-line services, self-owned company.
- Brand New Entrants have emerged as completely new players in the market, typically coming from other sectors to the financial services market. Traditional banks could gain influence in these companies using leverage.

Internet banking allows customers to do the majority of their transactions also through the bank's website. At the beginning banks (just like other market players) used their websites as an information interface (Tan-Teo, 2000), these areas nowadays are able to handle both transactional and information tasks, but the question is how they can be optimized for different browsers and devices.

The internet is currently considered to be the cheapest distribution channel for standardized banking services (current account management, transfers, etc.), but its spread is hampered by several factors. Previously Internet penetration and lack of equipment were a problem, but the purchasing power and income status of the population, the low level of education of some target groups, the resulting lack of information still remain problematic and ultimately, but not least, the burning issue of data security. (Polasik-Wisniewski, 2009)

On-line banking, however, is widely accepted today, but we cannot say that market players have adapted perfectly to environmental challenges. Due to the fragmentation of the market, consumers' knowledge of financial products becomes more and more superficial, and the ever-expanding set of information makes comparison impossible, so product-independent decision-making criteria (quality of service, reputation, communication) come to the fore.

PwC's Global Study of CEOs on Digital Banking Services (www.pwc.com, 2013) shows that there is still room for improvement in the banking sector to improve solutions for multiple sales channels and increase customer satisfaction. Based on the results of the study, simplification and increasing security seems indispensable to make retail banking more interactive. The primary task of banks is to increase user experience, especially by providing an on-min-channel (coordinated multi-channel connection) experience, while they can differentiate themselves in the market and gain competitive advantage through their digital presence.

Digital identity is an online accessible data set, the projection of the company's digital operation and presence (Fehér, 2016), which is expected to play an increasingly important role in consumer decision-making. The dominant element of digital identity is the company, in this case the sum of the activities of the financial service provider on social media surfaces. Researchers have identified countless benefits of using social media:

- A remote manageable interaction between the bank and the client deepens the relationship between the provider and the recipient. (Mendelsohn, 2010)
- Customers who interact with community interfaces purchase more banking products
- Using community interfaces, the bank can switch from a traditional "push" marketing strategy, during which one-way transmission of information is characteristic, to a "pull" strategy, focusing on shaping and influencing market demand.
- Social media allows access to specific segments and supports the development of a more conscious target market strategy. (Kinsy, 2012)

3. Segmentation in the financial services market

One of the important elements of target market marketing is the segmentation of the market. Segmentation refers to the division of the market according to certain criteria, which ends with the thorough knowledge and characterization of the homogeneous groups created, and then uses the information in later marketing decisions (product development, marketing communication). Numerous segmentation aspects: geographic, demographic, psychographic characteristics (eg lifestyle) and behavioral characteristics (Kotler, 2012), however, are not necessarily relevant to marketing. Nevertheless, financial services operators often use traditional segmentation criteria. Some studies have demonstrated the relationship between the perceived quality of banking services and gender (Stafford, 1996), other researchers call attention to the effectiveness of benefit segmentation within behavioral criteria. (Minhas-Jacobs, 1996) The research also revealed that attitudes to perceived benefits affect future decisions, consumer / customer behavior.

Experts have been researching relationship between opinions on technology developments, IT services and bank preferences for about fifteen years. In the initial phase, segments that use novelty (adopters) and technological developments resistant segments (non-adopters) were identified by researchers and later, in multiple dimensional segmentation, these features were also linked with demographic criteria. (Laukkanen, 2007) It is not a surprising result that willingness to accept online banking is strongly influenced by age. (Polasik-Wisniewski, 2009) However, early analyzes did not show what causes resistance and what is exactly characteristic of consumer groups that are unable to accept technological developments.

Thus, the further directions of research trying to uncover the background of acceptance or rejection. Barczak et al. (1997) found that openness to new technologies is significantly affected by money management philosophies. The results of their research revealed that members of "security conscious", "maximizers", "hussle/contact avoiders" and "instant gratification" segments relate towards various technological developments and online banking services in a different way. Obviously, past experience with computers and the Internet has a strong impact on Internet banking habits. (Akinci et al., 2004).

4. Results of the primary research

Based on the literature, therefore, we can accept that Internet banking is widespread today, but there are still plenty of tasks on the provider site, while recipients' resistance can also be observed. Financial service is a matter of trust. Thus, due to the expansion of virtual banking, the digital identity and the social media activity of the banks become increasingly important since there is no doubt that target groups of the future can be reached through these interfaces.

In the research presented in this study, besides the expectations of internet banking, we surveyed respondents' views on the possibilities of using social media for banks. Fifteen statements were used to map how the respondents relate to traditional and on-line banking services and to use of social media by banks.

In our questionnaire we used mostly closed questions, attitudes were measured using a 6-degree, compelling Likert-scale. The research was conducted in 2017, the questionnaire was shared online. The nature of the subject justified this type of data collection, however, sampling was convenience sampling procedure, the problematic of this method can be seen in the composition of the sample. The sample is therefore not representative, the results of the research can only be accepted with certain limitations. In the course of the research 221 responses were collected, the composition of the sample is shown in Table 1

Table 1. Composition of the sample

		Frequency	Percent	Cum. Percent
Gender	Male	91	41,2	41,2
	Female	130	58,8	100,0
Type of residence	Budapest	124	56,1	56,1
	Town	71	32,1	88,2
	Willage, rural area	26	11,8	100,0
Age	18-29	107	48,4	48,4
	30-49	84	38,0	86,4
	50-65	18	8,1	94,6
	65+	12	5,4	100,0
Education level	Primary education	1	,5	,5
	Lower secondary education	4	1,8	2,3
	Upper secondary education	82	37,1	39,4
	Bachelor or higher degree	134	60,6	100,0

Source: by the author based on primary research, 2017 (N=221)

According to our research goals, we first looked at the expectations of online banking. Respondents consider the wide range of services, full administration, fast reaction time and cost efficiency to be particularly important for Internet banking services. (Table 2)

Table 2. Expectations of online banking

	N	Minimum	Maximum	Mean	Std. Deviation
Q4.1 Low costs	221	1,00	6,00	5,43	1,0184
Q4.2 Immediately/in short time available online guidance	221	2,00	6,00	5,26	0,9695
Q4.3 Full administration	221	3,00	6,00	5,56	0,8049
Q4.4 Clearly visualized reports	221	1,00	6,00	5,25	0,9904
Q4.5 Availability of all contracts on the online interface	221	1,00	6,00	5,12	1,1260
Q4.6 Online customer service responding within 1-2 hours	221	1,00	6,00	5,32	0,9249
Q4.7 Online financial advicing (savings, investments)	221	1,00	6,00	4,69	1,2348
Q4.8 Summary reports on spendings	221	1,00	6,00	4,85	1,2947
Q4.9 Visualisation on more complicated banking products	221	1,00	6,00	4,51	1,3025
Valid N (listwise)	221				

Source: by the author based on primary research, 2017 (N=221)

Concerning the bank's presence in the social media platforms, on one hand, we made statements about mapping the attitudes related to the subject, on the other hand, we asked for the opinion of the interviewees regarding the content requested on these surfaces. The respondents typically do not follow the social media activities of their bank (mean 2.39, standard deviation 1.71), they do not think these sites are suitable for specific administration (although there is a practical example), (mean 2.34, standard deviation 1.44) and they typically would not share their bank-related thoughts on social media sites (mean 1.84, standard deviation 1.46). As for the possibilities of using social media, the participants in the research consider these areas primarily as an information channel. The respondents would welcome information in the following order: financial awareness information (e.g. video tutorials), description of product information and contractual conditions, presentation of CSR initiatives, employer brand communication.

The attitude towards online and traditional banking was measured by more, a total of fifteen statements. During the collection of the set of assertions, we sought to capture extreme cases of preferences, so we asked to assess the reliability of a suspected operating exclusively online bank and asked about personal contact as also an indispensable element of banking administration. Since we ourselves determined the statements, we used Cornbach alpha to test the reliability of the elements of the created model. The result obtained (Cornbach alpha = 0.774) supports the

internal consistency of the scale. Deleting a few statements would have increased the reliability of the model, but ultimately, these issues relevant to the research were left in the further analysis.

As mentioned above, we ran the factor analysis with the involvement of all variables. Based on preliminary tests KMO value is 0.81, which confirms the suitability of the variables. In the course of the analysis, main component analysis and Varimax rotation method were used. The resulting three factors together account for 60.27% of the total variance, which is just above 60%, as a minimum, in the literature (Mitev-Sajtos, 2007).

The factors and the explanatory power of each component are shown in Table 3.

Table 3.

Rotated Component Matrix^a

	Component		
	1	2	3
Q5.3 I prefer online banking	,845		
Q5.5 I rather gather information online about financial services	,756		
Q5.1 The online presence is essential for the bank's reputation	,744		
Q5.10 I expect my bank to implement the latest technological innovations	,699		
Q5.12 I prefer a bank where I can handle my transactions without personal contact	,550		
Q5.14 It's important for me to run my finances on mobile.	,506		
Q5.15 I would share my thoughts about my bank on social media platforms		,790	
Q5.4 Social media platforms can be used for bank administration.		,775	
Q5.8 I'm not doing my finances online because I'm not familiar with the online platforms		,730	
Q5.11 I follow my bank on social media sites		,727	
Q5.13 For me an exclusively digital bank (no bank office) would be completely reliable		,501	
Q5.7 The bank officer is a guarantee for me to handle my financial issues properly			,816
Q5.6 The professional knowledge of the bank officer builds confidence in me			,780
Q5.2 Banking is a matter of trust, so personal contact is needed			,751
Q5.9 Some banking activities cannot be performed online.			,576

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

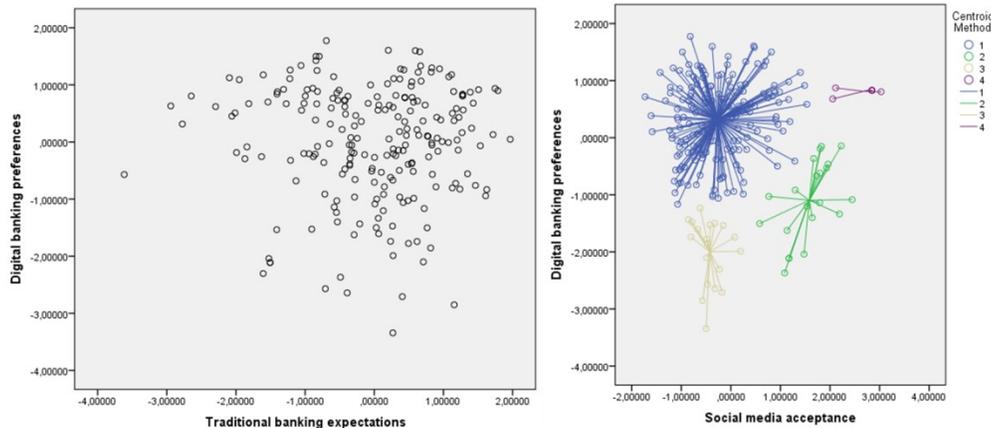
Source: by the author based on primary research, 2017 (N=221)

The resulting factors can be defined as follows:

- **Digital banking preferences.** This main component contains factors that examine opinions related to advanced technologies and internet banking.
- Issues of **acceptance of social media** factor research the raison d'etre of banks appearance in social media.

- Finally, the **traditional banking expectations** factor summarizes statements that emphasize the importance of personal relationships.

Taking into account the deficiencies of the sample (size, composition), the results of this analysis are not suitable for validating hypotheses about the whole population, but they can reveal potential new research directions. Respecting this limitation, as the next step in the analysis, we sought to create consumer segments by means of the above factors, while reserving the opportunity that a research on a representative sample could have another result.



Figur 1: Result of cluster analysis

Source: by the author based on primary research, 2017 (N=221)

The result of cluster analysis is shown in Figure 1. Comparing traditional and online preferences it can be seen that scattering preferences are drawn along the dimensions, using centroid method cluster analysis resulted in a large and three very small clusters, the detailed presentation of which is not justified. Based on the scattering of the points, a large group can be identified, which is open to both traditional administration and internet banking as well, and accordingly use them both, enjoy their benefits and suffer their disadvantages.

In the second point-diagram of the figure, we compared internet banking preferences with the set of claims related to the use of social media. During the cluster analysis four clusters were drawn, in this case also with a low number of elements.

- The largest group is those interviewed who are open to online banking and although they consider online presence important, they are rather skeptical about the potential of social media.
- The second group of golden mean who are indifferent to both dimensions and although not necessarily adherent to digital banking, see some potential for moving to use social media.
- Relatively small numbers represent those who do not understand and use the potential of on-line virtual resources to manage their finances and reject the opportunities provided by social media, too.
- Finally, appears a segment with a small number of members, who are active internet bank users and are also open to the use of social media.

5. Conclusions and further directions of research

Internet banking has been a popular research area for years. Both market participants and users are faced continuous challenges by the potential of virtual marketplace also in the financial services sector.

In this paper, we examined the traditional and online banking preferences and analyzed the respondents' views on the usability of social media.

On the basis of a questionnaire survey conducted on a non-representative sample it was found that online banking activity was integrated into respondents' daily life and it is important to provide fast, comprehensive, cost-effective services on these platforms. In the sample there was only a small number of refusers of technological innovations, most of them were representatives of the older age group, which is in line with the research results read in the literature.

There are many possibilities in social media which extend beyond the surface as a communication channel. In addition to sharing information, more banks nowadays use social media as an important platform for customer service, and even attempt to redirect banking transactions to community interfaces. Based on the results of our research, the participants in the research are not ready to accommodate this type of innovation. Most of the respondents can imagine social media platforms as a merely communication channel in banking services market, and this trend is likely to be strengthened further by the phishing scandal that has exploded around Facebook lately.

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