Online Banking: Security Concerns and the Acceptance of Mature Customers

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Abstract: Banks have been providing services electronically to consumers for decades. Examples include Electronic Funds Transfers, whether for small payments or large corporate management systems, as well as Automated Teller Machines (ATM) for withdrawing cash and convenient account access. Further, the rapid growth of the Internet as a channel for delivering services world-wide provides banks with great opportunities to extend their customer reach and offer better quality services to their customers. The adoption of Online Banking can be influenced by many factors, among which is the age of customers. This study explores the applicability of online banking in Bahrain from the points of view of mature customers above the age of 35. The study takes into consideration the importance of trust-in, and familiarity-with, the Internet as factors increasing online banking acceptance between mature people. The results show that in spite of their security concerns, mature customers are willing to adopt online banking if their banks provided them with the necessary guidance.

Key Words: Bahrain, Customer, e-banking, Security

1. Introduction

1.1 Background

Banks have been providing services electronically to consumers for decades. Examples include Electronic Funds Transfers, whether for small payments or large corporate management systems, as well as Automated Teller Machines (ATM) for withdrawing cash and convenient account access. Further, the rapid growth of the Internet as a channel for delivering services world-wide provides banks with great opportunities to extend their customer reach and offer better quality services to their customers.

In spite of the great benefits online banking provides, it is extremely essential that banks regard the risks associated with it. One significant step that banks must take before going through any transformation is to insure the proper handling of online banking risk.

Perhaps the main question is do all customers accept using online banking? Moreover, are mature people willing to trust the experience of online banking without doubt? Younger Internet users are more interested in banking online (Hill 2004). Many factors may cause mature people to be reluctant to adopt online banking; resistance to change is one reason. It’s also important to acknowledge that elder generations used to conduct all their transactions face to face with human tellers. But perhaps the major obstacle to their acceptance of online banking is their security concerns.

This paper initially explores the perceptions of mature people about online banking in Bahrain, through a simple survey for a random sample. In conclusion, recommendations are given based on the survey findings.

1.2 Research hypotheses

It is indeed essential to emphasize the fact that the Bahraini culture is different from the countries where previous research was conducted. The researchers predicted that the familiarity of using the Internet has a significant impact on the acceptance of online banking. If mature customers are not used to accessing the Internet frequently, and if they do not trust the Internet as a secure environment to conduct transactions, then it
is nearly impossible for them to accept online banking. Therefore, the following is hypothesized:

1. Mature people generally do not believe that the Internet is secure for conducting transactions.
2. Banks do not put considerable effort in increasing their customers’ awareness on online banking and how to use it.
3. Mature customers would welcome online banking if they were educated more about it and if they acknowledged the convenience it provides.

2. Literature review

A review on the literature related to this topic revealed a variety of results. Some research was conducted to compare adaptation of online banking between young and mature customers. Other topics were concerned with the customers’ income and gender as comparison criteria.

Hill (2004) conducted a study concerned with identifying the characteristics of online banking users. She mentioned that it is commonly assumed that demographics do influence the acceptance of electronic self-service tools, such as online banking. The results of the study were that people who use such services are young, trendy and high-earning. They actively seek out online banking tools, and they want to conduct all transactions through the same channel.

Nevertheless, Lee (2000) conducted a similar research and arrived at different results. He found that the Customer Relationship Management (CRM) efforts of the banks themselves have the real influence on who accesses online self-service tools than any other factor. Therefore, customers tend to use such tools based on attitudes, not demographics. Other study by Al-Alawi (2004) investigated the CRM’s actual implementation by finding the criteria and problems that needed to be tackled in order to implement a successful CRM program in Banking.

An empirical study by Pew Internet & American Life Project dated 2002 was concerned with the number of people banking online and their gender in addition to their age. The study found that men are somewhat more likely to bank online than women. Also, younger and middle-aged Internet users are the most likely group to turn to online banking. The highest category using online banking in the survey was people aged 30 to 49, the lowest category is above 65 and the rest of them are in between.

Another study was conducted in Australia by ACNielsen consulting (2001) (visit http://www.asiapacific.acnielsen.com.au). It was concerned with the speed of online banking adoption as it relates to age. The researchers observed that younger people under the age of 25 registered for online banking two years earlier than those over the age of 25.

Of great value was the study of Mattila et. al (2003). The study was concerned with analyzing the adoption of Internet banking among mature customers. The results show that people over the age of 65 generally tend to be late adopters of technologies. They found that mature customers who discontinued the use of online banking blamed insufficient or non-existent training on how to use the technology. They also pointed that confusing web pages and complex steps discouraged their adoption of online banking. Subsequently, they recommended developing three-dimensional web pages with voice recognition, using video technology to provide access to bank employees.

Also, Sohail and Shanmugham (2004) wrote a paper concerning customers’ preferences in Ebanking in Malaysia. Their results were based on a survey of 300 respondents. Their conclusion indicates that age and educational qualifications of electronic and conventional banking have no significant impact on E-banking adoption. Instead, they argued that accessibility to the Internet, awareness of Ebanking and customers’ resistance to change are the main factors influencing the adoption.

Fitzergerald (2004) chose to analyze four different research papers to identify current and potential customers’ perceptions on online banking. He concluded that there are common perceptions regarding online banking with disregard to demographic, geographic or psycho graphic characteristics. He argued that among the major ‘non-adoption’ areas are the security concerns and lack of awareness of online banking.

Regardless of the variety of results and conclusions available on this issue, age seems to be a common factor influencing online banking adoption. Even though some studies concluded that awareness of technologies and Internet access are more important, age can have impact on these two factors too. This means that mature people generally seem to be less interested in learning about technologies and online banking when compared to younger generations.

3. Methodology: Design and Procedure

3.1 Preparing the questionnaire:

The method found most suitable to gather data to support this study was the questionnaire for the following reasons:

1. The need to collect uniform data concerning the opinions of mature banking customers.
2. The need to collect data in a simplified and fast manner due to the time constraint.

A questionnaire form was made by the researchers consisting of of 13 questions about the respondents and their willingness to conduct online banking. The questions were focused on the extent to which mature people use the Internet and purchase items using online methods. Following, respondents were asked if they were aware of online banking and whether they were willing to experience it had their banks provided sufficient support.
3.2 Participants

Three Hundred people at the age of 35 or above constitute the sample of this research. The forms were distributed randomly at workers from the government and private sectors.

Between the age of 35 and 40, was 56% of the sample. Only 17% were over the age of 50. Males constituted a 53% of the sample while 47% were females.

4. Results and Findings

Regarding Internet use, half of the participants pointed that they used the Internet “very often”, 33% stated they used it sometimes, 17% admitted they rarely turn to the Internet.

When respondents were asked what purpose they use the Internet for, 57% said they use it for research, 27% for entertainment and communication and only 16% for online purchasing.

The respondents provided the following reasons to justify why they seldom conduct transactions online:

1. Lack of security.
2. Avoiding the risk of not getting what they want.
3. They trusted the supplier more when there is face-to-face interaction.

Respondents were also asked to choose the preferred payment method when conducting transactions on the Internet. Online credit cards were the best in the view of 75% of the audience, while only 10% thought that cash (Western Union) is better. Credit card (by phone), purchase order and bank wire transfer each received 5% support. Also, 53% of the participants pointed they never agreed with their superiors to purchase products online, but that was mainly because, due to company’s rules, it’s not allowed.

Perhaps the most important questions the questionnaire contained were those relating to the research hypotheses. The respondents were first asked whether they agreed that the Internet was secure for conducting transactions.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>10%</td>
</tr>
<tr>
<td>Agree</td>
<td>40%</td>
</tr>
<tr>
<td>Neither</td>
<td>10%</td>
</tr>
<tr>
<td>Disagree</td>
<td>27%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1. The Internet is generally secure for conducting transactions.

As it appears, 50% generally agreed to the statement, 10% were indifferent and 40% did not agree. See table 1.

Although 50% of the participants pointed Internet is safe for transactions, this percentage is unfortunately not enough to fully represent the mature population, especially because 10% abstained. The first hypothesis is therefore confirmed.

H1: Old people generally believe that the Internet is not secure for conducting online transactions.

Following, they were asked whether the banks they deal with put considerable effort to educate their customers about online banking.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>24%</td>
</tr>
<tr>
<td>Agree</td>
<td>9%</td>
</tr>
<tr>
<td>Neither</td>
<td>24%</td>
</tr>
<tr>
<td>Disagree</td>
<td>30%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</tbody>
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Table 2. My bank puts considerable effort to educate customers about online banking. Only 33% agreed their banks help in increasing awareness on online banking; 43% disagreed while 24% were indifferent. See table 2.

Unfortunately, 33% agreement is not a very promising statistic, especially when comparing it with 43% disagreement. All banks must bear in mind that without increasing customer awareness on online banking, it can never succeed.

According to the findings the second hypothesis is again confirmed.

H2: Banks do not put considerable effort in increasing their customers’ awareness on online banking.

Subsequently, the audience was asked if they are really willing to conduct Online Banking if their banks provided enough support.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>33%</td>
</tr>
<tr>
<td>Agree</td>
<td>60%</td>
</tr>
<tr>
<td>Neither</td>
<td>4%</td>
</tr>
<tr>
<td>Disagree</td>
<td>3%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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Table 3. I am willing to conduct Online Banking if my bank provided guidance and advice. In spite of the security concerns mentioned earlier, those that agreed to the idea of conducting online banking reached 93%. Only 3% disagreed and 4% were indifferent. See table 3.

Consequently, this research’s findings confirm the third hypothesis.

H3: Mature customers would welcome online banking if they were educated more about it and if they acknowledged the convenience it provides.
5. Discussion

To begin with, the reason why more than half of the respondents were between the age of 35 and 40 is that this age category was more accessible in the work environment. Few people over the age of 50 participated either because they were not aware of online banking, or they were not interested in it.

Even though 40% of the audience believed Internet is not secure for transactions, only 16% actually purchased products online. The majority of the participants use the Internet for research purposes or entertainment. This implies that their experience with transactions and Internet security in turn, is very modest. Indeed, their concerns regarding online transaction security is mostly due to spreading stories of credit card fraud and hacking and others. These concerns have little value in reality and may be easily dealt with.

Also, those who are employed could be greatly motivated to use online banking by their work environment. However, unfortunately, many mentioned that their companies do not allow purchasing products online. In addition, some claimed they were not allowed Internet access from their offices. Perhaps these policies must be revised, mature people must be allowed to use the Internet and conduct transactions frequently to reflect on a higher motivation and trust in online transactions and in turn, on Internet banking.

Interestingly, online banking has a very promising future in the eyes of mature customers. This is greatly emphasized by the fact that 93% of the participants declared they were willing to try experiencing it once their banks helped them and provided them with necessary guidance.

6. Conclusion and recommendations

Banks must regard the attitudes of their mature customers with care. It is apparent that mature customers are more reluctant to join new technologies or methods that might contain little risk. It’s also important to note that some mature customers are interested in online banking; however, they do not possess the necessary computer literacy to conduct it.

In addition, banks should sensitively consider the psychological changes that their mature customers undergo while designing their online banking marketing strategies. Therefore, the following should be applied:

1. Banks must increase the awareness of their mature customers on the latest security measures employed to protect their data. Considerable effort must be employed to ensure that the risk of online transactions is not higher than the risk associated with ATMs or even branch banking.
2. Ensure that online transactions yield the same results, if not better, than traditional methods.
3. Some elder customers are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking.
4. Banks must emphasize the convenience that online banking can provide to elder people, such as avoiding long queue, in order to motivate them to use it.

The fact that people have positive perceptions about online banking should be treated with great value. This is because one bad experience can result in customer discontinuation of the E-banking service (Jun & Cai, 2001)

7. Limitations and further research:

This research serves as an initial step in exploring customers’ views and expectations on online banking. However, it is limited by the following factors:

1. The sample was distributed randomly over mature people from the working environment. It did not include mature people who are less educated or those who never used computers or accessed the Internet.
2. The sample is comprised with 300 people. Future research requires a larger sample for the purpose of higher accuracy.
3. This research focused to a high degree on Internet use and access as initial enablers for online banking adoption. Further research is required to investigate issues related to online banking in deeper manner.

References


Matilla et. al. (2003). “Internet banking adoption among mature customers: early majority or laggards” Journal of Services Marketing, 17(5), pp. 514-528

