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# What obstruct customer acceptance of internet banking? Security and privacy, risk, trust and website usability and the role of moderators

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## ABSTRACT

Comparatively a little attention has been paid to the factors that obstruct the acceptance of Internet banking in Sri Lanka. This research assimilates constructs such as security and privacy, perceived trust, perceived risk, and website usability. To test the conceptual model, we collected 186 valid responses from customers who use Internet banking in Sri Lanka. The structural equation modelling technique is applied and hypotheses are validated. The findings show perceived trust and website usability are the possible obstructing factors that highly concerned by Internet banking customers. While security and privacy, and perceived risk are not significant, these are not highly concerned by customers in Internet banking acceptance. The age and gender reveal the moderating effect in each exogenous latent constructs relationship. The practical and managerial implications of the findings are also discussed. This country specific study contributes to the advancement of Internet banking acceptance, and offers some useful insights to researchers, practitioners and policy makers on how to enhance Internet banking acceptance for country similar in context.

## 1. Introduction

The banking sector is one of the fastest growing industries that has adopted Internet banking as a delivery channel for their services (Schierholz & Laukkanen, 2007). The advent of the Internet and sophisticated technologies not only stimulated the new industries but it also changed the business model including the banking sector, as a result Internet banking. It is commonly known as Internet banking or online banking has emerged as a phenomenal growth in recent years (Martins, Oliveira, & Popović, 2014; Riffai, Grant, & Edgar, 2012; Yang, Pang, Liu, Yen, & Tarn, 2015; Yousafzai, Pallister, & Foxall, 2009). It is felt that the growth of banking much depends on the use of Internet banking services rather than traditional banking (Sinha & Mukherjee, 2016). Internet banking is the delivery of information or services by a bank to its customers by way of different delivery platforms such as PC banking, Internet banking, managed network and TV-based banking (Daniel, 1999). It has many benefits over conventional banking such as 24 h of service availability, ease of access, elimination of queues, reducing branch operating hours, etc. Hence, Internet banking helps to retain existing customers, advance customer's satisfaction, increase banks' market share, decreasing administrative and operational cost and improve banks' competitive positions (Almogbil, 2005; Khalfan, AlRefaei, & Al-Hajery, 2006). Despite the potential benefits

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that Internet banking offers to customers, the acceptance of its services have been limited and in many cases, fallen short of expectations (Bielski, 2003).

In many developed and developing countries the innovative technologies have accelerated the way banking services are offered, thus consumers being swept along with this trend (Riffai et al., 2012). Prior studies try to explore the Internet banking acceptance in various contexts. For example, trust, usability and perceived quality are believed as the key drivers in Oman for Internet banking acceptance (Riffai et al., 2012). Security/privacy risk is a possible loss due to fraud or a hacker intrudes the security of an online bank user (Lee, 2009). Service quality, web design and content, security and privacy, convenience and speed where web design and content, convenience and speed are the major factors that influence customer satisfaction in Internet banking (Ling, Fern, Boon, & Huat, 2016). Trust and distrust are separate constructs and the traditional e-retailing trust had a nomological network and highlighted several distrust experiences whose negative outcome on intention to use online banking (Benamati, Serva, & Fuller, 2010). Trust is the prominent influencing factor on user's willingness to engage in the online transaction of money and personal sensitive information (Wang, Wang, Lin, & Tang, 2003). Despite the rising discussion in the literature, yet a limited attempt has been made to study security and privacy, risk, trust and website usability in Internet banking acceptance.

Though prior studies have examined e-banking service acceptance, most of the studies have explored in developed countries, and only a few studies have focused on developing country context. Comparatively, the banking sector in Sri Lanka is young compared to many developed and developing country in the World and Asia region. According to Khan, Hameed, and Khan (2017), the Asian countries are becoming more and more involved in Internet banking services, and the customers in these countries are more likely to use e-banking services. In this line of thinking, past studies have addressed the adoption of e-banking from rapidly developing Asian countries' context (Brown, Hoppe, Muger, Newman, & Stander, 2004; Chan & Lu, 2004; Susanto, Lee, Zo, & Ciganek, 2013). However, most of these studies are covering only a fraction of e-banking service adoption in the Asian region. In addition, prior studies highlighted that the call for future research to examine Internet banking acceptance either in different countries or other context (e.g., Benamati et al., 2010; Cockrill, Goode, & Beetles, 2009; Martins et al., 2014; Yousafzai et al., 2009). The recent years' competition, advancement in IT, and customers' lifestyle have changed the face of banking activities among Sri Lankan customers as well. Yet, a very limited attention has been paid on the acceptance of e-banking services in Sri Lanka context. Against this backdrop and from these gaps, this study is motivated and trying to explore the obstructing factors with moderating role of age and gender. Thus, this study addresses the following research questions:

RQ1. Which factor/s obstruct the acceptance of Internet banking services among banking customers in Sri Lanka?

RQ2. How age and gender have the moderating effect of each obstructing factor – Internet banking acceptance relationship?

In addition, the country-level analysis contributes to the advancement of Internet banking theory and practice by taking customer acceptance into account. As a result, a more rigorous way to see whether the same variables are significant in determining acceptance both across different country context and customers acceptance intension aspect. Hence, this study aims to contribute to the growing literature in Internet banking as Sri Lankan context in the following aspects. First, Sri Lanka could be more viable ground for examining factors motivate customer acceptance of Internet banking, especially after the 30 years of civil war and the financial restoration of its economy. Hence, the country specific research design and finding of this study better fit for other countries that are similar in context. Second, this study integrates moderators into a broader model to investigate the users' acceptance of e-banking services which is lacking in the past studies and highlighted as a limitation in prior studies. Thus, the customer's moderation effect on age and gender will bring more insight about their behavioural pattern in Internet banking acceptance. Third, the theorization and variables used in this study extend the Internet banking acceptance literature. As a result, future studies would integrate this study's model and consider designing more insightful research in this domain.

The remaining of the paper is organized as follows. Section 2 presents theoretical conceptualization, followed by the research model with hypothesis development. Then, research methodology is presented including instrument development, data collection, and data analysis. Next section presents result and findings. Finally, discussion, implications, limitation and conclusion are presented.

## 2. Theoretical conceptualization

In recent years, there has been an increasing interest in the technology adoption research. Internet banking services are offered in numerous ways to banking customers. For instance, ATMs became pervasive by the mid-1980s, facilitating banking transactions easier. Telephone banking, firstly human operated and later voice-automated, that reduced the necessity to visit the bank branch. In recent years, the Internet has made banking activities much easier and offer new services to their customers, even eliminating the need to stop at a bank branch. Similarly, Internet banking is expected to become a most important banking method for customers (Nasri & Charfeddine, 2012). Though, in reality Internet banking offers many advantages such as faster transaction and lower handling fee, yet there are a large group of customers who refuse to adopt it due to uncertainty and security concern (Chaouali, Yahia, & Souiden, 2016; Lee, 2009). Previous study's key attention was largely on single or multiple factors which limit user acceptance of Internet banking services. For example trust (Benamati et al., 2010; Sekhon, Yap, Wong, Loh, & Bak, 2010; Yousafzai et al., 2009), risk (Lee, 2009; Martins et al., 2014; Yang et al., 2015), security (Koskosas, 2011; Lee & Turban, 2001; Polasik & Piotr Wisniewski, 2009), privacy (Khalfan & Alshawaf, 2004; Lee & Turban, 2001), and website usability (Casaló, Flavián, & Guinalú, 2008; Pikkariainen, Pikkariainen, Karjaluoto, & Pahlila, 2004). Though, these studies focused the limiting factors for Internet banking acceptance, none of the studies has investigated security and privacy, risk, trust and website usability together with the moderating effect which highly obstructs customer acceptance of Internet banking. (Table 1)

The rapid expansion of Internet technology in recent years has made tremendous changes in the banking sector (Lee, 2009; Riffai et al., 2012). As a result, web-based applications are the new ways for banks to retain customers and offer them new services (Martins

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