

An investigation into the acceptance of online banking in Saudi Arabia

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Abstract

Although a regional leader, Internet banking in Saudi Arabia is yet to be fully utilised as a value-adding tool to improve customer relationships and achieve cost advantages. The aim of this study was to identify the factors that encourage customers to adopt online banking in Saudi Arabia. The research constructs were developed based on the technology acceptance model (TAM) and incorporated some extra important control variables. The model was empirically verified to examine the factors influencing the online banking adoption behaviour of 400 customers. The findings of the study suggests that the quality of the Internet connection, the awareness of online banking and its benefits, the social influence and computer self-efficacy have significant effects on the perceived usefulness (PU) and perceived ease of use (PEOU) of online banking acceptance. Education, trust and resistance to change also have significant impact on the attitude towards the likelihood of adopting online banking. The implications of the findings are discussed and suggestions for future research are presented.

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1. Introduction

The rapid diffusion of the Internet has radically changed the delivery channels used by the financial services industry. Many banks have established presence on the Internet using web technologies providing customers with the opportunity of performing interactive retail banking transactions (Aladwani, 2001). What attracts customers to Internet banking is the round-the-clock availability and ease of transactions and avoidance of queues and restrictive branch operating hours. Therefore, online banking helps banks to retain their existing customers, improve customer satisfaction, increase banks' market share, reduce administrative and operational cost and more importantly improve banks' competitive positions (Khalfan et al., 2006; Almogbil, 2005).

Factors affecting consumer acceptance and adoption of online banking have been at the forefront of several research projects in the US (e.g. Lassar et al., 2005;

Kolodinsky et al., 2004), throughout Europe (see Littler and Melanthiou, 2006; Pikkarainen et al., 2004; Howcroft et al., 2002; Karjaluoto et al., 2002; Daniel, 1999), Australasia (e.g. Lichtenstein and Williamson, 2006; Sathye, 1999), and Asia (see Yiu et al., 2007; Chan and Lu, 2004; Suh and Han, 2002).

However, there is limited published work exploring the factors that capture the acceptance of Internet banking from the perspectives of customers in the context of developing countries in the Middle East. This paper focuses upon Saudi Arabia that has a diverse immigrant population, a Sharia, a legal system and a developing economy and therefore makes an interesting and unique case study. To date there have very few such studies, a notable exception is the study by Almogbil (2005) who studied Internet banking adoption in Saudi Arabia and he focused on adopters. However in contrast, the focus of this study is both adopters and non-adopters (i.e. potential adopters).

As Saudi Arabia joined the World Trade Organisation (WTO) on November 2005, the researchers believe that findings from this study will aid the local commercial banks and the multinational banks to develop strategic plans in order to promote products or services, introduce more

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sophisticated electronic facilities and applications and more importantly design easy, useful and trustworthy systems over the Internet. This paper addresses the following research questions: (1) what are the factors that influence the customers' tendency to accept and use online banking as a primary banking channel?; (2) what is the relative importance of these factors? and (3) what is the nature and strength of the relationship among these factors?

2. Theoretical background

The theoretical framework in this paper is comprised of three sections. The first section addresses the current theories and models that can be used to explain customers' acceptances of technology. Secondly, previous research on the critical factors which may have significant impact on the acceptance of online banking will be discussed. Finally, the review will be concluded by proposing a model which will be used to understand customers' acceptance of online banking in Saudi Arabia.

2.1. Information technology acceptance

It has been found that users' attitude towards the acceptance of a new information system (IS) has a critical impact on its success (Succi and Walter, 1999; Davis et al., 1989; Venkatesh and Davis, 1996). Researchers have been trying to find factors that influence individual's acceptance of information technology (IT) in order to enhance its usage. Several theoretical models have been proposed that have their roots in ISs, psychology and sociology (Venkatesh et al., 2003). The current study proposes the application of the technology acceptance model (TAM) to capture factors which have significant impact on the acceptance of online banking. TAM as illustrated in Fig. 1 is one of the most utilised models for studying IS acceptance (Al-Gahtani, 2001; Venkatesh and Davis, 1996; Davis et al., 1989).

TAM posits that two particular beliefs, perceived usefulness (PU) and perceived ease of use (PEOU) are main determinants of the attitudes (AT) toward using a new technology. PU concerns the degree to which a person believes that using a particular system would enhance his or her job performance; while PEOU is defined as the degree to which a person believes that using a particular system would be free of effort (Davis, 1989; Davis et al., 1989). These two beliefs create a favourable behavioural

intention (BI) toward using the IT that consequently affects its self-reported use (Davis et al., 1989). Moreover, TAM postulates that BI is viewed as being jointly determined by the person's attitude towards using system (AT) and PU (Davis et al., 1989)

TAM was adopted and based on the theory of reasoned action (TRA); this is a psychological theory that seeks to explain an individual's action which is determined by his/her BI to perform it (Fishbein and Ajzen, 1975). Intention is considered a direct determinant of behaviour in the TRA that is influenced by the attitude (attitude toward performing behaviour), and subjective norms (social pressures to perform behaviour). TRA has been tested and used extensively as well as its extension, the theory of planned behaviour (TPB) (Ajzen, 1991).

More recently, Venkatesh et al. (2003) proposed a more complete model for the understanding of the acceptance and the adoption of IT namely the unified theory of acceptance and use of technology (UTAUT) which integrates eight previously established models on individual acceptance of IT. They state that four elements play a significant role as direct factor of user acceptance and usage behaviour, namely performance expectance, effort expectance, social influence and facilitating conditions.

TAM has been the instrument in many empirical studies and it has been found that its ability to explain intention and attitude towards using IT is better than TRA and TPB (Mathieson, 1991). Chang (2008) used TAM to identify consumers' acceptance of intelligent agent (IA) technology for the automation of auction websites. Chang (2008) used questionnaires of a total of 388 Taiwanese consumers with online auction experience and found that PU was the most influential in promoting intention to use auction website. The outcome of another study by Wang et al. (2003) confirmed the validity of TAM with different populations of users and different software choices. It is worth noting that King and He (2006) conducted a statistical meta-analysis of TAM as applied in various fields using 88 published studies and the results showed TAM to be a powerful, highly reliable, valid and robust predictive model that may be used in a variety of contexts. Moreover, Hernández's et al.'s (2008) study demonstrated that a basic TAM model can correctly explain the acceptance level of a technology in the business context as long as the focus and subject proposed are correct.

Many researchers have introduced additional variables to TAM and suggested that these external variables may be

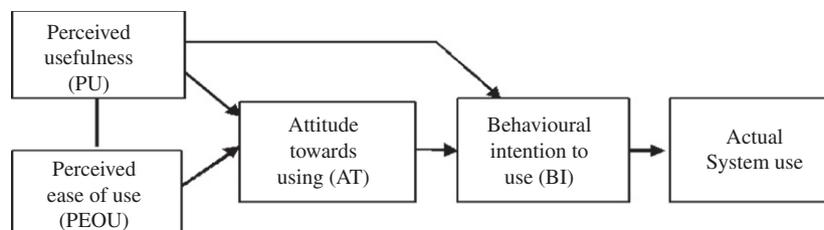


Fig. 1. TAM model (Davis et al., 1989).

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