



**DISCOVERING E-BANKING ADOPTION AMONG
UITM PAHANG STAFFS**

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Internet banking or in the other words electronic banking, online banking, and virtual banking also called e-banking can be defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. Internet banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services. (FFIEC; 2003).

It provides a fast and convenient way of performing common banking transactions, such transferring funds from your savings account to your current account, or even to a third party's account. Internet banking services are delivered to customers through the Internet and the web using Hypertext Markup Language (HTML). In order to use e-banking services, customers need Internet access and web browser software. Multimedia information in HTML format from online banks can be displayed in web browsers. The main of the internet banking application is the computer system, which includes web servers, database management systems, and web application programs that can generate dynamic HTML pages. (FFIEC; 2003).

According to Wai-Ching Poon (2008) deregulation has enabled a greater degree of competition in e-banking services. Moving towards an industrialization nation with knowledge economy as the backdrop, the personal computer (PC) and online way of life is growing in Malaysia. With the proliferation of internet expansion and computers usage, the electronic delivery of banking service has become ideal for banks to meet customer's expectations. Compatible with the revolutionary components of the electronic marketplace, Malaysia has actively developed e-banking services since mid 2000. Public awareness of e-banking among

users has been increased and thus people are ready to migrate to technology applications. The study on customer preferences on e-banking adoption has not been extensively examined in the Malaysian context.

Online households are a growing major lifestyle trend in Malaysia. With a strong hype on broadband services and multimedia super corridor, these have changed the life style of the consumers, and more business-to-business (B2B) transaction using the online potential. This has been further reinforced by the government tax rebate incentive for the purchase of a personal computer every five years. In 2005 study by Suganthi et al., the usage of online household was 1.9 million, with 11.09 million internet users, 21.1 thousand ISDN subscribers and 26.4 personal computer penetrations per 100 households. Besides, mobile devices have also offered internet access using WAP, GPRS or 3G features. Eventually, online access will be part of the trend in life, with or without mobile devices. However, some may not use the e-banking systems in spite of their availability. With the population of 25.58 million in Malaysia, it is vital for bankers to comprehend the current usage trend of e-banking system.

The popularity of the internet banking today, changes the payments system from traditional to transfer through internet system. As the respond to the changes, most of individual and corporate in Malaysia have taken advantage of Internet banking services offered by financial institutions to perform their banking and payment transactions. It offers easier for customer to make transaction. By providing access 24 hours a day, seven days a week, Internet banking also offers users the ease of undertaking transactions from virtually anywhere. Both individual and corporate customers can access internet banking services using an intelligent electronic device, such as a personal computer, personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone (Cheganti; 2009).

Hence, a thorough examination of the factors influencing the adoption of e-banking in Malaysia is deliberately essential for bank administrators. Some scholars have shown that many international internet users demonstrate similar behaviors and preferences in using an e-banking across nations (see, for example, Quelch and Klein, 1996). Other researchers have studied the internet in the context of traditional cultures,