

Abstract

Banking Institutions (BIs) have entered into an Internet Banking (IB) era following Bank Negara Malaysia's decision to allow domestic BIs to set up their IB services commencing 1 June 2000. Foreign BIs were given permission to set up communicative website beginning from 1 January 2001 and a full-fledged IB from 1 January 2002 onwards.

A survey performed on 169 respondents indicated 27.8% of the respondents are IB users. The most dominant profile of IB users based on the survey is single Malay male with tertiary/professional qualification. They are mostly Government servants with disposable incomes ranging from RM1,000 to RM2,999. Account inquiries (34.3%) and personal computer seems to be the most popular services and device used respectively. However, it is expected that with the retooling of website and upgrading of phone technology, the mobile phone is expected to take over as the most commonly used device.

The quality of services rendered through IB is considered as being on the upper scale of fair to excellent (95.9%) with the majority feeling that the security is adequate (44.7%). However, the perception of riskiness can be easily shifted depending on the development of cyber crimes and the effectiveness of laws and regulation in dealing with the aforesaid crimes in Malaysia and worldwide. Breach of security (22.8%) is dominating the reasons for customers not using IB and among breach of security issues, unauthorised transactions (32.1%) is an issue of utmost concern to non-IB users.

Should the issues and factors which deter respondents from using IB are being addressed, 87.3% of the non-IB users will use IB. Again, the traits of the adopters are the similar to the current IB users.

With a high potential rate of adopters (87.3%), the challenge for the BIs now is changing the perception of security on the Internet. The BIs and Central Banks although having different sets of objectives should combine their efforts to educate the public on IB. This is to ensure that the public is able to understand the technology and risks of IB better. One of the effective ways to change the perception is to update our Cybercrime Law, as the terrestrial law could be inadequate to curtail the rise of cyber crimes. Co-ordination among nations in terms of consistency in the imposition of penalty and of sharing of technology is also essential to come up with a model which developing countries could emulate.

The emergence of IB is expected to influence the usage of branches but it will not remove their value as IB is just another delivery channel. The future lies in "click and mortar" banking as customers want services through various delivery channels. It is also expected that Internet-Only-Banks will not take off in Malaysia in the near future due to their decline in performance worldwide.

The BIs is recommended to strategize themselves with the emergence of mobile-banking which will have a greater impact on IB with the upgrading of mobile phone technology and expected the retooling of current IB websites to accommodate the technology.