

## Determining Critical Factors of Consumers' Adoption of Internet Banking

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Banks in Sri Lanka have been at the forefront in the deployment of ICT based products and services. With Electronic banking, financial institutions began to exploit new approaches to their business while delivering their customers a wide range of value added products and services in aligning with the product delivery mix with the new technology. One of the major E-banking channels is the Internet Banking (IB). Though there is a growth in transaction volume of IB in Sri Lanka over the years, yet it takes less than 10% compared with total transaction volume. This implies that still the IB services have not been used as much as customers could or should have used them.

There are few studies have been conducted to determine the critical factors affecting the customer adoption of IB. The objective of this research is to identify the different banking customer segments on the demographic and socio-economic characteristics and then to identify the deterrent and appealing factors governing in these segments that affect IB adoption. The paper describes IB-readiness as the state of being fully prepared to engage in IB, and it is argued that both the potential banking customers, banks and their web technology must be equally ready before IB-adoption can occur. Eight factors such as Technology readiness, Banking service usage, Access and availability of resources, Risk and adaptability, User friendly IB services, Security, Perceived convenience and Cost are considered to evaluate their effects towards IB adoption through a survey.

This study presents the results of the initial test of the conceptual model of IB adoption with a sample of retail banking customers who belong to different demographic segments in Sri Lanka. Technology readiness has a statistically significant difference among different age groups and Risk and adaptability, Access and availability of resources and Security shows a statistical significance impact towards IB adoption. The above findings provide information on consumer behavior in IB and this enables the banks to identify the motivating and the deterrent factors in different customer segments. This would enable the banks to discover the deterrent factors in different segments and to address them by introducing new strategies and promotional programs to increase the IB usage.

*Key words: Internet banking, customer segments, appealing factors, deterrent factors*

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