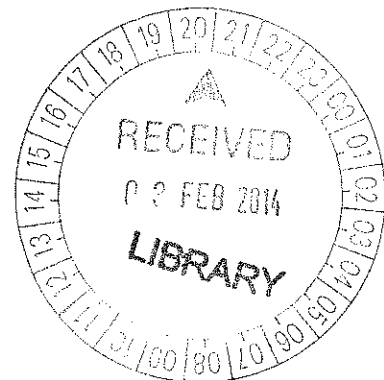


INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Low Usage of Internet Banking: A Study on SCOPE International Malaysia

Author : Tay Chiat Chien
Student No : I10006996
Supervisor : Mr. Arasu Raman
Submission Date : 16 April 2012
Ethics Number : INBS330
Words Count : 15,044



40
31
TAY
2012

Abstract

According to the CEO of SCOPE International, only 7% of Standard Chartered customers in Malaysia use the internet banking facilities and it is rather low as compared to ASEAN countries in 2010. Therefore, the objective of this research is to identify and determine the factors that influence the low usage of internet banking in Malaysia. This study is to provide a solution to solve SCOPE's problem. The proposed sample size is 200 of Standard Chartered Bank customers. 204 out of 220 questionnaires is valid Standard Chartered respondents. In this study, both primary and secondary data will use for data collection. Reliability analysis, factor analysis are being used to check the variables' reliability and validity. Furthermore, multiple regression is to check the relationship between independent variables and dependent variable. At the end, perceived ease of use, perceived usefulness, e-security and actual internet experience have the positive relationship with intention to use internet banking. The R^2 of independent variables and intention to use internet banking is 64.6%. Besides, the equation is $I = 0.615 + 0.333 \text{ PEU} + 0.303 \text{ PU} + 0.149 \text{ ES} + 0.131 \text{ AEI}$. The R^2 of intention and usage of internet banking is 52.1%, the equation is $Y = 0.476 + 0.856 \text{ Intention}$.

Acknowledgement

Thanks to INTI international University, I am able to come out with this research. The knowledge and experience that I learned in the progress of completing this dissertation not only helps in my academic path, but also my career path and future life. So, I would like to take this opportunity to convey and express my gratitude to people who have contributed in this dissertation.

Firstly, I would like to express my deepest grateful to my respected supervisor, Mr. Arasu, who is guiding and giving advices in the progress of completing this dissertation. Mr. Arasu undertakes this project from SCOPE international Malaysia. Furthermore, I am the luckiest MBA student because this topic is a practical project. As my supervisor, he is willing to put considerable effort to guide me from the beginning to the very end of this research. Besides, he had provided valuable advices, professional knowledge and ideas that facilitated me to think critically. Without him, I was not able to finish this industry project topic. Secondly, special thanks to Mr. Anthony, who is my second marker. He is also an important role in assisting me to finish this project. He has given valuable suggestions and advices on my research. Then, I would like to thanks to Professor Dato' Dr. Ibrahim Ahmad Bajunid, who has given some ideas to make my topic to be more interesting.

Besides, I heartily thanks to my family. Their inseparable support to me is the power for me to go through my journey in this study. They always encourage me with their best wishes. Special thanks to CEO of SCOPE International, Arif Siddiqui who approved me to conduct a survey in Standard Chartered Bank. Besides, it is my honor to have a chance taking photo with him (see appendix 12).

Last but not least, I would like to thanks all my friends, Lee Ailing, Yap Mei Ching, Chen Kai and Rui Jie. They had spent their time to give me ideas and let me think in-depth perspective. Especially Ailing, she has helps, guides and encourages me in completing this research.

Tay Chiat Chien

April, 2012

Declaration

"I hereby declare that this research project is of my own effort except for those summaries and information of which the sources are clearly specified"

12th April 2012

Tay Chiat Chien

Table of Contents

List of Table	i
List of Figure	ii
List of Abbreviation.....	iii
Chapter I: Introduction.....	3
1.1 Background of Study	3
1.2 Internet Banking in Malaysia.....	4
1.3 Problem Statement.....	5
1.4 Research Question.....	6
1.5 Research Objective	6
1.6 Significance of the Research	7
1.7 Limitation	7
1.8 Assumption.....	7
1.9 Outline of chapter	7
Chapter II: Literature Review.....	8
2.1 Diffusion of Innovations	8
2.2 Theory of Reasoned Action	11
2.3 Theory of Planned Behaviour	13
2.4 Technology Acceptance Model.....	14
2.5 Perceived Ease of Use	15
2.6 Perceived Usefulness.....	16
2.7 E-Security.....	16
2.8 Actual Internet Experience.....	16
2.9 Traditional Hassles	17
2.10 Proposed Framework	17
2.11 Hypothesis.....	18
2.12 Summary of Chapter.....	18
Chapter III: Research Methodology.....	19
3.1 Introduction.....	19
3.2 Research Design.....	19
3.2.1 Exploratory Research.....	19
3.3 Sample and sampling	20
3.3.1 Random sampling	20
3.3.2 Convenience Sampling Method.....	20
3.4 Research procedures	20
3.5 Ethical Consideration.....	21
3.6 Data Analysis.....	21

Chapter IV: Findings and Discussions.....	23
4.1 Descriptive Analysis.....	23
4.1.1 Gender.....	24
4.1.2 Highest Education Level.....	25
4.1.3 Race.....	26
4.1.4 Marital.....	27
4.1.5 Internet Usage per Day.....	28
4.1.6 Summary of Demographic.....	29
4.2 Reliability Analysis.....	30
4.3 Factor Analysis.....	32
4.3.1 Independent Variables.....	33
4.3.3 Factor Analysis of Dependent Variable.....	38
4.3.4 Factor Analysis of Intention to Use Internet Banking.....	39
4.4 Summary.....	40
4.5 Multiple Regression.....	41
4.5.1 Multiple Regression of Perceived Ease of Use, Perceived Usefulness, E-Security, Actual Internet Experience and Traditional Hassles toward Internet Banking.....	42
4.5.2 Multiple Regression of Perceived Ease of Use, Perceived Usefulness, E-Security, Actual Internet Experience and Traditional Hassles toward Intention to Use Internet Banking.....	49
4.5.3 Multiple Regression of Intention to Use Internet Banking towards Usage of Internet Banking.....	56
4.6 Revised Framework and Summary of Hypotheses.....	58
Chapter V: Conclusions, Recommendations, Implications and Personal Reflection	60
5.1 Conclusion.....	60
5.2 Recommendation.....	60
5.3 Implications to Organizations.....	62
5.4 Implications to Society.....	62
5.5 Implications to Future Research.....	63
5.6 Personal Reflection.....	63
References.....	64
Appendices.....	68

List of Table

Table 4.1: Gender in Frequency and Percentage.....	24
Table 4.2: Highest Education Level in Frequency and Percentage.....	25
Table 4.3: Race in Frequency and Percentage.....	26
Table 4.4: Marital Status in Frequency and Percentage.....	27
Table 4.5: Internet Usage per Day in Frequency and Percentage.....	28
Table 4.6: Summary of Demographic Profiles.....	29
Table 4.7: Cronbach's Alpha Values of All Variables.....	30
Table 4.8: Cronbach's Alpha Values of Independent Variables.....	30
Table 4.9: Factor Analysis of Perceived Ease of Use.....	33
Table 4.10: Factor Analysis of Perceived Usefulness.....	34
Table 4.11: Factor Analysis of E-Security.....	35
Table 4.12: Factor Analysis of Actual Internet Experience.....	36
Table 4.13: Factor Analysis of Traditional Hassles.....	37
Table 4.14: Factor Analysis of Usage of Internet Banking.....	38
Table 4.15: Factor Analysis of Intention to Use Internet Banking.....	39
Table 4.16: Model Summary of Independent Variables and Usage of Internet Banking	42
Table 4.17: F Test of Independent Variables and Usage of Internet Banking.....	42
Table 4.18: Coefficient of Perceived Ease of Use and Usage of Internet Banking.....	43
Table 4.19: Coefficient of Perceived Usefulness and Usage of Internet Banking.....	44
Table 4.20: Coefficient of E-Security and Usage of Internet Banking.....	45
Table 4.21: Coefficient of Actual Internet Experience and Usage of Internet Banking.....	46
Table 4.22: Coefficient of Traditional Hassles and Usage of Internet Banking.....	47
Table 4.23: Coefficient of Independent Variables and Usage of Internet Banking.....	48
Table 4.24: Model Summary of Independent Variables and Intention to Use Internet Banking.....	49
Table 4.25: F Test of Independent Variables and Intention to Use Internet Banking... ..	49
Table 4.26: Coefficient of Perceived Ease of Use and Intention to Use Internet Banking.....	50
Table 4.27: Coefficient of Perceived Usefulness and Intention to Use Internet Banking.....	51
Table 4.28: Coefficient of E-security and Intention to Use Internet Banking.....	52
Table 4.29: Coefficient of Actual Internet Experience and Intention to Use Internet Banking.....	53
Table 4.30: Coefficient of Traditional Hassles and Intention to Use Internet Banking..	54
Table 4.31: Model Summary of Intention to Use Internet Banking and Usage of Internet Banking.....	56
Table 4.32:F Test of Intention to Use Internet Banking and Usage of Internet Banking.....	56
Table 4.33: Coefficient of Intention to Use Internet Banking and Usage of Internet Banking.....	57
Table 4.34: Summary of Hypotheses Results.....	59

List of Figure

Figure 1.1: Percentage of Standard Chartered Customers Using Internet Banking....	5
Figure 1.2: Penetration of Internet Usage versus Internet Banking Usage.....	5
Figure 2.1: Rogers' Diffusions of Innovations Curve.....	9
Figure 2.2: Information System Diffusion Variance Model.....	10
Figure 2.3: Theory of Reasoned Action Model.....	11
Figure 2.4: Theory of Planned Behaviour Model.....	13
Figure 2.5: Technology Acceptance Model.....	14
Figure 2.6: Proposed Framework.....	17
Figure 4.1: Gender in Pie Chart.....	24
Figure 4.1: Highest Education Level in Pie Chart.....	25
Figure 4.3: Race in Pie Chart.....	26
Figure 4.4: Marital Status in Pie Chart.....	27
Figure 4.5: Internet Usage per Day in Bar Chart.....	28
Figure 4.6: Revised Framework.....	58

List of Abbreviation

KMO	:	Kaiser-Meyer-Olkin
MSA	:	Measure of Sampling Adequacy
IT	:	Information Technology
SPSS	:	Statistical Package for the Social Sciences
DOI	:	Diffusion of Innovations
USA	:	United States of America
CEO	:	Chief Executive Officer
ASEAN	:	Association of Southeast Asian Nations
IS	:	Information System
TRA	:	Theory of Reasoned Action
TPB	:	Theory of Planned Behaviour
TAM	:	Technology Acceptance Model
PEU	:	Perceived Ease of Use
PU	:	Perceived Usefulness
ES	:	E-security
AEI	:	Actual Internet Experience
TH	:	Traditional Hassles
PHD	:	Doctor of Philosophy

Chapter I: Introduction

This research is about low usage of internet banking in Standard Chartered Malaysia. Thus, this research is targeted at Standard Chartered customers in Malaysia. SCOPE international serves Standard Chartered on technology, such as internet banking. Thus, this chapter will deeply discuss on problems faced by SCOPE international Malaysia. Besides, research questions and research objectives are present in this chapter.

1.1 Background of Study

SCOPE International is the Standard Chartered Group's Global Technology & Operations Hub which was established in 2001. SCOPE International is the first Global Shared Services Centre of an international bank in Malaysia. SCOPE International services more than 70 countries of Standard Chartered Bank. They comprise of software and systems development, wholesale and consumer banking operations, contact centre, Information Technology (IT) and Helpdesk services. SCOPE's software division, International Software Centre Malaysia (ISCM) houses the largest software development centre in Malaysia. In Malaysia, SCOPE has more than 3,500 employees currently. The Standard Chartered Group's two other global hubs are in India and China (SCOPE, 2011).

SCOPE is 100% subsidiary of Standard Chartered Bank (United Kingdom). Standard Chartered is an international bank which is London-based. Standard Chartered Group was established in Penang at 1875. Standard Chartered offers personal, Islamic banking and business financial services. Standard Chartered PLC is a leading international bank, listed on the London, Hong Kong and Mumbai stock exchanges. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90 per cent of its income and profits in Asia, Africa and the Middle East (Standard Chartered Bank, 2011). This geographic focus and commitment towards developing deep

relationships with clients and customers has driven the Bank's growth in recent years.

With 1,700 offices across 70 markets, Standard Chartered offers exciting and challenging international career opportunities for its 75,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. The Bank's heritage and values are expressed in its brand promise, 'Here for good' (Standard Chartered Bank, 2011).

1.2 Internet Banking in Malaysia

United States of America (USA) was the first to introduce internet banking in the early 1990s. Then, it was widely extended to other countries. Bank Negara Malaysia allows the local banks to offer internet banking services in June 2000 while foreign banks is 2002. There are twenty-eight banks are providing internet banking to their customers, including local and overseas banks (Central Bank Malaysia, 2012). Internet banking started in June 2000 due to the trend of electronic revolution. The banking sector faced many challenges in internet banking due to various psychological and behavioural issues, such as security of internet banking system and resistance to change. Thus, internet banking is not prevalence in Malaysia. Previous researchers, Ramayah *et al.* (2003) have proven the awareness level is high in Malaysia. However, the actual internet banking users are only about 23% in Malaysia (Ramayah *et al.*, 2003).

1.3 Problem Statement

According to Nielsen Survey (2007), the internet banking usage is not high in Malaysia compared to others Asian countries. With reference to Figure 1.1, the percentage of Malaysians using internet banking is 11% which is low, whereas in India it is 20%, Hong Kong is 18%, Singapore is 11% and South Korea is 10%. According to the CEO of SCOPE International, only 7% of Standard Chartered customers in Malaysia use the internet banking facilities and it is rather low as compared to ASEAN countries in 2010. While the usage of internet in Singapore is 37%, China is 80% and India is 95%.

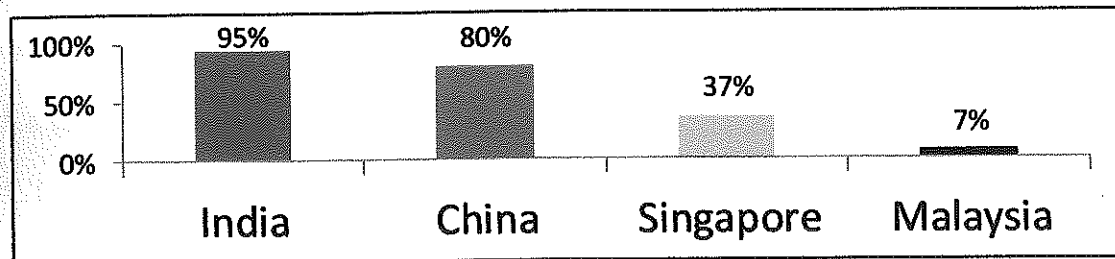


Figure 1.1: Percentage of Standard Chartered Customers Using Internet Banking

Source: SCOPE, 2010

With reference to Figure 1.2, the penetration of internet usage in Malaysia increased from 47.8% in 2007 to 65.7% in 2009 (Internet World Stats, 2010). However, The Nielsen Company Survey shows that usage of internet banking in Malaysia is decreased from 11% in 2007 to 8% in 2009. Although the penetration of internet usage is growing continuously, the usage of internet banking is decreasing.

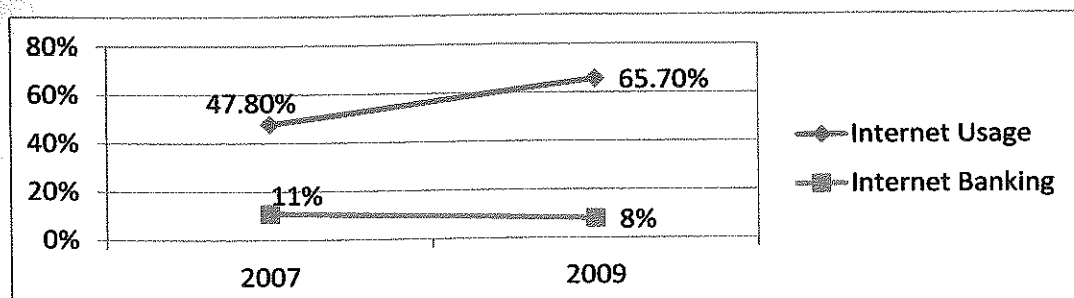


Figure 1.2: Penetration of Internet Usage versus Internet Banking Usage

Source: Internet World Stats, 2009; The Nielsen Company, 2009

Nielsen Survey (2009) discover the barriers of using internet banking in Malaysia, not needed (59%), not internet / IT savvy (24%), satisfied with current channel (17%), security issues (16%), no internet access (11%) and likes to interact with bank staff (6%). Hence, most of Malaysians feel that they do not need the internet banking facilities. Therefore, Malaysians are not fully utilise the internet banking facilities that are provided by banks.

Hence, the usage rate of internet banking in Malaysia is rather low compare to ASEAN countries and it is still decreasing year by year. Besides, I also discovered that the most influencing barriers of using internet banking is bank users have the perception that internet banking is not needed.

1.4 Research Question

1. Do the construct of these factors (perceived ease of use, perceived usefulness, e-security, actual internet experience and traditional hassles) influence the low usage of internet banking?
2. What is the relationship between perceived ease of use on internet banking and usage of internet banking?
3. What is the relationship between perceived usefulness of internet banking and usage of internet banking?
4. What is the relationship between internet experience and usage of internet banking?
5. What is the relationship between tradition hassles and usage of internet banking?
6. What is the most influencing factor for low usage of internet banking?

1.5 Research Objective

1. To identify the factors influence the low usage of internet banking.
2. To determine the most influencing factor for the low usage of internet banking.
3. To recommend strategies for SCOPE international to increase customers towards using internet banking.

1.6 Significance of the Research

This research also helps to understand the internet banking in Malaysia. This study will provide better understanding in the factors of low usage on internet banking. Besides, strategies to increase the usage of internet banking users will be recommended to internet bankers.

1.7 Limitation

1. Time and geographical constrains.
2. Respondent might not be interested to give feedback.
3. Reliability of the data might not be accurate.
4. The materials and journals are hard to get because this is a practical industry project.

1.8 Assumption

1. Selected population will be representing the overall population of Standard Chartered Bank customers.
2. All respondents will be able to provide their feedback in an honest manner.

1.9 Outline of chapter

This chapter is about the introduction of this research. This research is focussed on Standard Chartered customers because SCOPE international is facing the problem of low usage of internet banking in Malaysia. Therefore, the primary aim is to identify the factors that influence the usage of internet banking and the secondary aim is to provide solutions to SCOPE. There are several limitations for this research due to the fact that this is a practical project. This chapter is very important because it has relevance to chapter II, III, IV and V.

Chapter II: Literature Review

Online Banking is a facility for Bank customers to perform banking transactions through the Internet. With this service, customers may perform banking transactions from anywhere and anytime of the day, 24 hours a day and 7 days a week (Standard Chartered Bank, 2011). The researcher faced difficulties in this chapter due to the lack of information in internet banking, especially usage of internet banking. Besides, the information of using internet banking is not comprehensive. These difficulties challenge the researcher's knowledge. The most suitable model to use in research is TAM model.

2.1 Diffusion of Innovations

Rogers was the founder for diffusion of innovations (DOI) in 1962. Rogers (2003) defined **diffusion as the process** by which an innovation is communicated through certain channels over time among the members of a social system. In DOI theory, innovations are being communicated within a social system through particular channels over time. Individuals are seen as possessing different degrees of willingness to adopt innovations and thus it is generally observed that the portion of the population adopting an innovation is approximately normally distributed over time (Rogers, 2003).

Breaking this normal distribution into segments leads to the segregation of individuals into the following five categories of individual innovativeness (from earliest to latest adopters): innovators, early adopters, early majority, late majority, laggards. Members of each category typically possess certain distinguishing characteristics as shown below:

Innovators - venturesome, educated, multiple information sources

Early Adopters - social leaders, popular, educated

Early Majority - deliberate, many informal social contacts

Late Majority - skeptical, traditional, lower socio-economic status

Laggards - neighbours and friends are main info sources, fear of debt