

Customers Awareness and Acceptance of Islamic Internet Banking

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This study analyzes the customer's awareness and acceptance of using internet banking introduced by the Islamic banks or Window Islamic Banks in Malaysia as their usage for daily transaction. This study also looks into the demographic factor which influences the awareness and acceptance of using the Islamic Internet Banking. 350 questionnaires were distributed at random. A high tendency of security and no *Ijab* which finds many customers of different ages mostly with Islamic background did not used the Internet Banking introduced by their bank, rather choosing to do transaction traditionally. Promoting and demonstrating of using this transaction will actually help to boost the number of user of internet banking in Malaysia especially for the Islamic banks customers.

Keyword: Customer, Islamic, Internet Banking

1. INTRODUCTION

Traditional banking has been used widely in Malaysia since it first started. But, revolution of technology made changes in the financial service industry by introducing Automated Teller Machine (ATM). Since then, the technology had been rapidly changed. Before internet banking was introduced to the customer, PC banking being used widely by companies to monitor their transaction by the authorised party. Financial software package being installed by their respective banks in making ease for their customer to do the banking at their own office. But, it was hassle due to the limited staff to install that software and providing training to them. PC banking was meant for business people and not personal customers as the added values service were not incorporate together.

If in the early stage of using internet banking is used to transfer money, checking account balance and printing their statements, it had moved another step by providing their customer with purchasing shares, bills payment, credit card payment, cheque book request and this service will always goes on without stop. This is to make convenient to the customer in transferring their money anywhere and at anytime. The first country who uses internet in their financial services would be the America before being followed by other countries later on. According to ACNielsen (2001), internet banking had spread out in the blink of eyes to most of the Asia countries such as Singapore, China, Taiwan, Korea, Hong Kong, Thailand and not forgetting Malaysia to feel the fever of internet banking.

The objective of this study is to investigate the awareness and acceptance of Islamic Internet banking by customers of various age and education background. Technology Acceptance Model (TAM) will be used for this study. The findings from this study, can be used by banks to develop better strategies in maximizing the acceptance rate of Islamic Internet banking in Malaysia.

OVERVIEW OF ISLAMIC INTERNET BANKING IN MALAYSIA

There had been 30 years since Malaysia emerged with the Islamic finance industry. With the asset reached USD1Trillion, Islamic finance continues to grow rapidly (Halal Journal, 2010). With the current number of 21 full-fledged and window Islamic banks here in Malaysia providing service to their customer with traditional banking service, these banks are looking forward to capture more attention of the current trend of having their own internet banking in improving the competitiveness.

The Islamic bank in Malaysia is currently active in promoting the usage of electronic banking. This is a way to educate their customer not too depend on the counter service and the current trend would be internet banking to their customer. This latest in this trend had queued Bank Muamalat Malaysia Berhad to be inline with the other Islamic Banks in Malaysia to use internet banking as part of their daily routine. It is currently being tested to their employee as the crême to use that service before promoting it to their customer. This is because; according to (Gonzalez et al., 2004) a key component in improving customer focus of tools which will help the development of a better relationship between the bank and customer as a whole. Services from the perspective of bank is the most crucial as they have most likely similar product and service being offered to their customer. But, what makes it different would be the quality of service in terms of personal touch and good communication, the latest trend of providing services through internet banking would be the added value to the bank in capturing the customers attention and at the same time, getting more passive income from it through receiving charges from companies who which to collaret business with them.

Internet banking had allows customer to felt more value in managing their own account 24/7. To date, there are 19 Islamic banks out of 21 banks offers internet banking service to their customer.

Table 1: List of Islamic Banks Offers Internet Banking

Local Banks	International Bank
<ul style="list-style-type: none"> • Bank Kerjasama Rakyat Malaysia Berhad • Alliance Islamic Bank Berhad • Bank Islam Malaysia Berhad • Bank Muamalat Malaysia Berhad (Currently Testing) • Hong Leong Islamic Banking Berhad • CIMB Islamic Bank Berhad • RHB Islamic Bank Berhad • Amlslamic Bank Berhad • Affin Islamic Bank Berhad • EONCAP Islamic Bank Berhad • Maybank Islamic Berhad • Public Islamic Bank Berhad 	<ul style="list-style-type: none"> • Asian Finance Bank Berhad • Al Rajhi Banking & Investment Corporation (Malaysia) Berhad • Kuwait Finance House (Malaysia) Berhad • HSBC Amanah Malaysia Berhad • OCBC Al-Amin Bank Berhad • Standard Chartered Saadiq Berhad • Unicorn International Islamic Bank Malaysia Berhad

2. LITERATURE REVIEW

Technology has emerged in the internal changes in the current financial services provided by the bank. According to (Mols, 1999), internet banking is growing and banking conventionally is declining. But as we are reading this, more branches are being opened in fulfilling the needs of customers such as Bank Islam Malaysia Berhad had newly open their branches to cater the needs of people especially in the Islamic banking services. The fundamental reason in the development of internet banking would be

- Cost savings. Internet banking channel is the cheapest delivery channel in providing extra mile services to the customer (Pikkarainen et al.,2004). For example, we do not need to go to the bank just to pay our car loan, PTPTN, transferring money elsewhere and paying for credit cards as just for one click, anywhere and anytime, we can transact our payments with no questions asked.
- Increased customer base. Due to the increasing number of population in Malaysia and at the same time having their accounts in banks, this will increased the banks customer base in marketing their internet banking.
- Marketing and Communication. By using the World Wide Web (WWW), banks has the capability to promote their product better with innovative marketing campaign, having alliances with other companies and at the same time, generating more income and save cost from publish more campaign in billboard and mass media.

Perceived Usefulness

It is defined as a person who use will increase their job performance, (Davis, 1989), (Chiu et al., 2005) the intention of online purchases. But (Pikkarainen, 2004) urged that perceived usefulness is correlated with the usage of internet banking. As studied by (Guriting and Ndubisi, 2006) the usage of TAM Model for internet banking in Malaysia had shown a direct relationship between perceived usefulness and their intention of using internet banking.

Perceived Credibility

While looking at credibility, it emphasized on the importance of security and privacy while connecting with the internet banking services. According to (Suganthi and Balachandran, 2001) had found the important factor affecting internet banking in Malaysia is the security consent.

Amount of Information on Internet Banking

Information on internet banking is important in understanding their customers on how this system works. According to (Ramayah and Ling, 2002), information of internet banking is not an issue as their research done in Penang shows that respondent are aware of internet banking as the bank had done a good job in providing the knowledge.

Perceived Enjoyment

Perceived enjoyment refers to the activity used which will enjoy to the maximum of the respective person (Davis et al., 1992). (Teo et al., 1999) had perceived enjoyment correlate with the frequent usage of using computer and had increased the intention of using it day to day.

Social Norm

Social norms refer to the person perception on how should they do things and they sometimes are comfortable in seeking knowledge from people who are closer to them.

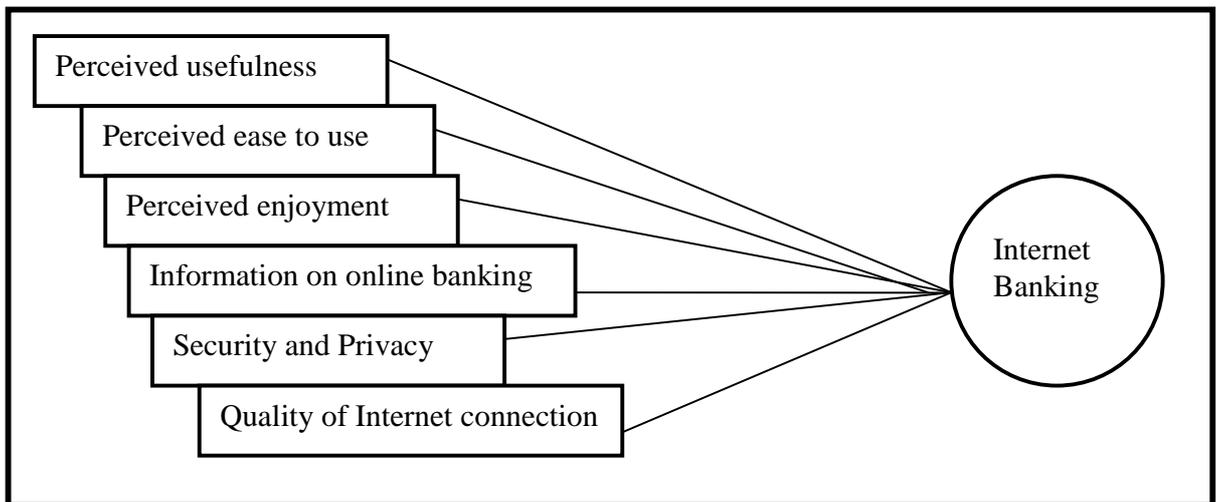
Advantage and disadvantage of Internet Banking

Advantage	Disadvantage
Cost Savings	Costly to deliver (for the bank)
Increase customer base	Open to fraud
Profits from the charges charged to customer for various transaction	Damage customer –banker relationship
Marketing and communication	
Increase innovation and alliances between companies	

3. THEORETICAL FRAMEWORK

In adapting technology in providing better financial service to the customer, Technology Acceptance Model had been used in most research (Chiu et al., 2005; Pikkarainen et al., 2004) measuring the acceptance of Internet banking including researcher who modified it (Hanudin, 2007) in finding the right modelling to measure the acceptance of internet banking by Muslim people. The model consists of six factors on customer's acceptance of internet banking.

Figure 1: The Research Model



Source: Adapted from Pikkarainen et, al (2004)

4. METHODOLOGY & ANALYSIS

The data for this study being obtained by survey conducted in Islamic Banking branches in Bangi, Nilai and Seremban, Malaysia. This survey was conducted in May-July 2010 which was a voluntary participation from bank customers of Bank Islam, CIMB Bank, Maybank, RHB Bank and Affin Bank. There were 400 questionnaires being distributed and 350 was filled up due to time constrained by the respondent. The data was analyze using SPSS.

Table 1: Summary of Respondent Profile (n=350)

Gender	Race	Education	Marital Status	Location
Male: 40.86%	Malay: 95%	SPM: 37.5%	Single:47.5%	Seremban: 27.4%
Female: 59.14%	Chinese: 4%	Diploma:5.9%	Married: 51.2%	Nilai: 36.9%
	Indian: 1%	Degree: 48.7%	Single Parent: 1.3%	Bangi: 35.7%
		Masters & Phd: 7.9%		

Trust the Internet
Yes: 62.6%
No: 37.4%

Income	Occupation	Age	Internet Experience	Internet banking experience	Banks (Islamic)
No Income: 11.5%	Student: 9.5%	<21: 8.9%	< 1 year: 14.5%	< 1 year: 12.5%	CIMB: 58.2%
< RM1,000: 19.4%	Unemployed 2%	21-30: 37.5%	1-3 years: 20.7%	1-3 years: 25.87%	Maybank: 32.2%
RM1,001-RM2500 24.7%	Government: 42.6%	31-40: 30.1%	4-6 years: 17.9%	4-6 years: 22.5%	Bank Islam: 9.6%
RM2,501-RM4,000 32.5%	Private: 37.3%	41 and >23.5%	More than 6 years: 40.9%	More than 6 years: 9.03%	
RM4,001 & over 11.9%	Housewife: 3.5%		No internet experience: 6%	No experience: 30.10%	
	Retired: 5.1%				

5. PROBLEMS AND CONCLUSION

From the analysis being done, there are still many people who do not have the internet banking experience.

- *Trusting the system.*

Lack of customers trust on the internet and internet banking need to be changed. As many of the respondent who answer the questionnaires as high as 37.4% who do not trust the system due to three major reasons

- *Security*

A strong concern of security system is the common factor whereby increased their libido not to use the internet banking as many stories of hackers, fraud and identity thieves. As technology improved, number of fraud internet scams and cases increases.

- *Bank Image*

Image plays a major role in promoting the internet banking portal. A good reputation will enhance the image apart from being honest and concern on customers issues when transacting.

- *Reliability*

Reliability and system failure will bounce back to the perceived risk by the customer to or not to use the internet banking.

- Legal Issues

Privacy on usage of internet is the primary concern of many internet users especially when comes to internet banking as it involved with money. No supports in the legal law made many people do not want to have or do any internet banking transaction. This is due to acceptance of proof payment or transaction not being accepted in court if any other matters arise in future.

- Organization barrier

Lack of IT resources in implementing the technology makes no added value to the internet banking of a certain bank for their customers to do. Expertise and infrastructure are the major barrier in providing better service. Lack of knowledge on internet banking in their staff also would be a problem as they are the shield and front liner to the bank in providing knowledge and support to the customer.

CONCLUSION

Internet banking from the Islamic Banks are still crucial as many customers still using the conventional system due to the efficiency that they have compared to the Islamic bank's internet banking. Some recommendation that the banks can do in ensuring their internet banking service is inline with the conventional internet banking would be:

1. The bank should improve their quality in the system as they need to invest more on the quality and reliability of the system. A good helpdesk is needed for all Islamic banks internet providers to have in ensuring all problems arise will be taken care of.
2. Training on internet banking to their staff will be a good thing to do as they will later need to assist their customers on the usage and benefit of using it.
3. Do a strategic alliance with other company of association in getting more traffic to the internet banking portal and make it user friendly like make it with different language to cater the needs of Malaysian customer of various races.
4. The issue of security need to be enhance always to make sure no fraud; hackers can go into a person's account. A better solution need to have as internet banking contribute more profits from the charges charged to the customer.
5. Government need to look into protecting the citizen who uses internet banking. Apart from that, the government need to look into the account of money laundering and illegitimate business transaction not to be done. It will affect the highly on the perception of Islamic banking.

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