

Factors Affecting Internet Banking Success: A Comparative Investigation between Indonesia and South Korea

Aries Susanto, Department of Management Science, Korea Advanced Institute of Science and Technology, Daejeon, Korea

Hwansoo Lee, Department of Management Science, Korea Advanced Institute of Science and Technology, Daejeon, Korea

Hangjung Zo, Department of Management Science, Korea Advanced Institute of Science and Technology, Daejeon, Korea

Andrew P. Ciganek, Department of Information Technology/Business Education, University of Wisconsin-Whitewater, Whitewater, WI, USA

ABSTRACT

Internet banking is a prominent example of Internet-based applications. Previous research has found that satisfaction, trust, commitment, and loyalty are important factors for Internet banking success. Resistance to adopt Internet banking is often attributed to the role of trust, security, and privacy in e-commerce systems. This study proposes a framework to examine behaviors toward Internet banking services in Indonesia and South Korea. A research model was empirically tested with data captured in a large-scale study. The results show that Indonesians' use of Internet banking is strongly influenced by perceived security, while Koreans use of Internet banking is strongly influenced by privacy concerns. Trust and user satisfaction have a greater influence on loyalty for Indonesians while commitment has a greater influence on loyalty for Koreans. The study develops related conclusions including a discussion of the research implications.

Keywords: Commitment, Commitment-Trust Theory, Information Systems (IS) Success Model, Internet Banking, Loyalty, Privacy, Satisfaction, Security, Technology Use, Trust

INTRODUCTION

Electronic banking (e-banking) diffusion continues to expand worldwide. Internet banking offers mutually beneficial services that save

cost and time, offer prompt, real-time service and an increasing set of features (Tomiuk & Pinsonneault, 2001). The dramatic growth for Internet banking services corresponds with a growth in disposable income in developing countries and the ascent is striking in regions historically considered as having a cash culture.

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Internet banking growth is driven by an increased need for more flexible and convenient financial services. A system like Internet banking may be evaluated in terms of information, system, and service quality using the Information Systems (IS) success model (DeLone & McLean, 2003). Internet banking usage is distinct from general IS applications because Internet banking offers valued-added services which deliver sensitive information. Security and privacy are important dimensions of Internet banking success that are necessary to examine along with quality characteristics. Management that is able to leverage insights gained from the burgeoning field of Internet banking, such as an understanding of inhibitors and accelerants, are likely to seize first-mover advantage benefits.

Banks fulfill customers' needs by providing satisfactory, acceptable, and reliable services. Overall satisfaction is an essential condition for the success of organizations through cultivating a long-term, mutually beneficial relationship which leads to customer loyalty. Banks consider customer loyalty a necessary condition of profitability. Establishing a mutually beneficial relationship with banking customers typically comes at a relatively high cost, but retaining these relationships generates profit over time (Aldas-Manzano, Ruiz-Mafe, Sanz-Blas, & Lassala-Navarre, 2011; Molla & Licker, 2001). Few studies have extensively examined the relationships among factors which influence Internet banking success, like consumers' loyalty (Aldas-Manzano et al., 2011), security, privacy, and trust (Yousafzai, Pallister, & Foxall, 2003).

Previous research has explored several factors associated with IS success in the e-commerce area, such as system quality, information quality, service quality, consumer satisfaction, use, and net benefits (DeLone & McLean, 1992, 2003, 2004; Molla & Licker, 2001). E-commerce success is also strongly related to trust (Corbitt, Thanasankit, & Yi, 2003; Koufaris & Hampton-Sosa, 2004), security and privacy (Gibbs, Kraemer & Dedrick, 2003; Chan & Lu, 2004), uncertainty and information infringement (McKnight, Choudhury, & Kacmar, 2002b), commitment (Casalo et al.,

2007), and loyalty (Aldas-Manzano et al., 2011). These factors are all elements of successful online commerce (McKnight et al., 2002b) and e-banking (Suh & Han, 2002; Centeno, 2004; Flavian, Guinaliu, & Torres, 2005).

Not all individuals are eager to utilize e-banking services. A significant number of people with bank accounts that actively access the Internet may still prefer the use of non-Internet banking services like Automatic Teller Machines (ATMs) (Shih & Fang, 2006). The primary reasons that individuals resist using e-banking include a lack of trust (Pikkarainen et al., 2004; Mukherjee & Nath, 2003) as well as uncertainty, security, and privacy concerns (Tan & Teo, 2000; Shih & Fang, 2006; Casalo et al., 2007; Aldas-Manzano et al., 2011). A comparison of Internet banking influences among multiple countries does not exist.

This study examines factors that influence Internet banking success using a cross-country comparison between a developed (South Korea) and developing (Indonesia) country. A better understanding of the constructs that influence Internet banking usage is possible in this study compared with previous studies which tend to focus more on American and European contexts (Pikkarainen, Pikkarainen, Harjaluoto, & Pahnla, 2004; Chan & Lu, 2004). Technology usage factors are expected to vary from one country or culture to the next, which are insights that are unexplored and should greatly benefit practitioners.

Knowledge in the IS and e-commerce literature is expanded by examining the interrelationships among factors that influence Internet banking success, such as consumers' commitment and loyalty. Website design quality has a significant impact on online initial purchase (McKnight et al., 2002b), but few research has examined the effect of website design quality and service quality on repeated online transactions (Zhou, Lu & Wang, 2009). Banks are expected to highly attune to customer needs as satisfaction is a critical factor proven to influence long-term relationships through retention (Garbarino & Johnson, 1999; Morgan & Hunt, 1994). High quality, convenient, and reliable

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