

DETERMINANTS OF THE INTERNET ISLAMIC BANKING SERVICES ADOPTION IN JORDAN

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Abstract

The purpose of this study is to conceptually review the determinants of Internet Islamic Banking Services adoption. In addition, it presents a conceptual research model to understand these relationships supported by literature review from recent studies. A critical literature review had been conducted in the area of internet banking services adoption model, Islamic banking and UTAUT theory and application. The main findings indicate that familiarity, social influence, needs, customer background and IT support affect adoption of internet banking services. In addition familiarity, social influence, needs, customer background and IT support affect adoption of Islamic internet banking services. Therefore we can conclude that factors of internet banking services affect Islamic internet banking services. This research presents a conceptually yet empirically supported model to describe the factors influencing internet banking services and internet Islamic banking services. This research will be significant in several areas, by adding new knowledge for the academics, practitioners and organizations in general and particularly in Jordan.

Keywords: *Islamic I-Banking Services; Adoption; Jordanian Banks*

Abstrak

Tujuan dalam penelitian ini adalah untuk mengkaji secara konseptual penentu dari adopsi Internet Islamic banking Service. Selain itu dalam penelitian, model penelitian yang digunakan secara konseptual untuk memahami bagaimana hubungan antara tinjauan pustaka dan studi terbaru. Metodologi dalam penelitian ini menggunakan tinjauan literatur kritis yang digunakan dalam model adopsi layanan internet banking, perbankan syariah dan teori dari aplikasi UTAUT. Hasil temuan menunjukkan bahwa keakraban, pengaruh sosial, kebutuhan, latar belakang pelanggan dan dukungan IT mempengaruhi adopsi dari layanan internet banking, selain itu keakraban, pengaruh sosial, kebutuhan, latar belakang pelanggan dan dukungan IT mempengaruhi adopsi dari layanan internet banking syariah. Oleh karena itu dapat disimpulkan bahwa faktor layanan internet banking mempengaruhi layanan banking syariah. Penelitian ini menyajikan model konseptual yang secara empiris didukung untuk menggambarkan faktor-faktor yang mempengaruhi layanan internet banking dan layanan internet banking syariah. Hasil penelitian ini signifikan di beberapa daerah dan menambah pengetahuan baru untuk akademisi, praktisi dan organisasi pada umumnya dan khususnya di Yordania.

Kata Kunci : Layanan Internet banking Islam, Adopsi dan Bank Yordania

A. INTRODUCTION

The introduction of e-banking services in Jordan can be traced back to year 2000. It started as banks finally acknowledged e-banking as a service tool that able to enhance their competitive advantage over local and global banks (.AL-Maaitah, A.osman, M.Suberi, D.AL-Maaitah, & M.AL-Maaitah, 2015) . At that point of time, banks management realized that Internet would benefit them and their clients by reducing time delay, errors, prices and promoting customer satisfaction (Al-shbiel & Ahmad, 2016). E-banking or Internet banking refers to the service that enables consumers to conduct banking interactions through a computer with an internet connection. Similarly, Internet banking was also defined based on its use by (Pikkarainen, Pikkarainen, Karjaluoto, & Pahnla, 2004). as an Internet portal via which customers can conduct their banking activities like bill payment or investment making. It is therefore of no surprise that e-banking has transformed into a global phenomenon, and an invaluable and powerful tool that develops, supports, and promotes innovation and improves competitiveness (Hasan et al., 2010).

One of these technologies as increasingly becoming a favored distribution channel by service providers and customers alike, is internet banking services (Haque, Ismail, & A. Daraz, 2009). Internet banking is defined as ‘the use of the internet as a remote delivery channel for banking services and internet banking is defined as a bank that offers (web-based) transactional services’(S . Gopalakrishnan, Wischnevsky, & Damanpour, 2003). Internet banking as a banking channel allows customers to conduct all traditional banking services, such as making online bill payments, balance enquiry and fund transfer to other accounts without visiting their bank branch. By providing internet banking services as an alternative delivery channel, banks seek to lower operating costs by reducing their branch networks and downsizing the number of service staff, improve their banking services and customer satisfaction and retain their existing customers (Almogbil, 2005; Khalfan, AlRefaei, & Al-Hajry, 2006).

Banks, however, cannot achieve the benefits of internet banking unless customers accept and fully utilise its associated capabilities. (Al-Gahtani & King, n.d.). state there will be little return from technological developments if customers fail to adopt and fully utilise its capabilities. Technology acceptance, especially internet banking has become a vital issue in the business world today. Understanding customers’ requirements and meeting their demands and expectations regarding internet banking has become a challenge for banks.

(Courtier & Gilpatrick, 1999). Recommend that banks must survey customers' requirements on a regular basis in order to understand the factors that can influence their intention to accept and fully utilise internet banking services. Such understanding will help banks to build appropriate websites and strategies in order to encourage their customers to adopt and fully utilize the internet banking channel. The present study is of significance as it:

1. further contributes to the growing literature on IBSA especially in IIBSA, and
2. adds new information and develops an extended body of knowledge related to IBSA and IIBSA.

B. BACKGROUND OF STUDY

This paper covered four sections which is used to develop the research conceptual model that are internet banking services, internet banking services in Jordan , Islamic internet banking services and UTAUT theory.

I. Internet Banking Services

I-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. It includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers are able to access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. This method offers a full range of advanced banking services by directly accessing the bank website using the internet browser (either through PC or Phone connected to the internet. This resulted in having lesser walk-in customers as they enjoyed full services on 24/7 basis.

Internet Banking can be defined as the service that allows consumers to perform banking transaction using a computer with an internet connection. Previous researchers had defined internet banking as:

1. the service that allows consumers to perform banking transactions using a computer with an internet connection (Al-Fahim, 2012); and
2. a new type of information system that uses emerging techniques such as the internet and has changed how customers perform various financial activities in virtual space (Santouridis & Kyritsi, 2014).

2. Internet Banking Services in Jordan

Even though internet banking services have been widely adopted in developed countries, the usage in developing countries such as Jordan is still quite low (Shannak, 2013). The banking system in Jordan was dominated by the Central Bank and Amman Financial Market. The central Bank established in 1964, was responsible for note issue, exchange reserves management, and regulation of credit. The bank acted as the fiscal agent for the government, regulated the commercial banking sector, and sponsored the creation of new financial institutions. The banking sector during 1970s and the early 1980s has seen more than doubles loans and deposits. During this period the number of financial institutions tripled as the government encouraged the expansion of banking services as a key driver to its economic development policy. Deposits were attracted from other Arab countries, and the savings and remittances were also captured. These deposits were used as loans to growing companies that needed capital.

Furthermore, during the 1980s Jordan was the only Arab country in which the value of bank assets exceeded GDP. Commercial bank assets have risen from JDI.1 million in 1980 to JD2.3 billion in 1985. Total deposits as well increased from about JD800 million to JDI.7 billion. Strict Central bank consumer credit controls and government success in encouraging savings was resulted in a growth of 7% per year from 1980 to 1987. The liquid money supply reached about JD900 million during this period, with no significant inflation. But during the mid-1980s, the government became cautious that the banking sector in the country was expanding rapidly. Because the greater concern of the government was during that time that the banks could involve in risky lending activity and excessive competition for assets and could lend to foreign companies instead of locale one.

As a result the Central bank of Jordan imposed a moratorium on the establishment of new commercial banks. In 1985 more than 27% of commercial bank credit financed trade, and less than 10% financed corporate investment (JIR, 2005). Moreover, during 1980s the government initiated greater regulation of bank activity to counterbalance fluctuation stock values and the rapid expansion of banking. Among the regulations that banks required to invest 8% of their deposits in government bills and bonds and invest at least 15% of capital in public and mixed sector corporate equity, and the minimum capital requirement was increased to JD5 million. Binding interest rate ceiling were set on both loans and deposits and the dinar exchange rate were fixed by the Central Bank.

3. Internet Islamic Banking Service

Islamic banking mainly originated from the prohibition of *riba* (usury and interest) in various verdicts of the Quran. *Riba* literally means any 'growth', 'addition' or an 'increase' to an object or value over and above its original size or amount. Opposite to conventional banking, the theory of Islamic banking distributes risks and rewards equally between the borrower and the lender (Suryanto & Ridwansyah, 2016). The current model of Islamic banking envisaged by Uzair (1955) is based on *mudarabah* (silent-partnership), a business technique that was also practiced in the pre-Islamic Arab peninsula and also by the Prophet Muhammad himself during the medieval period (Hassan & Lewis, 2007). In practice, Islamic Banking follow *mudarabah* model mainly for funding purposes i.e. for the liability side of their balance sheet. On the asset side, IBs employ *murabahah* (sale on credit with declared markup), *ijarah* (leasing) and *ijarah wa iqtina* (hire purchase) which resemble much of the asset-structure of conventional banks. Islamic banks obtain their main sources of funding from clients out of three different kinds of accounts: savings deposit accounts, current deposit accounts and investment deposit accounts (Suryanto, 2016; Bessadet & Karema, 2009). There are fourteen conventional banks and comparing to only three Islamic Banks in Jordan that are (i) Jordan Islamic Bank for Finance and Investment, (ii) International Arab Islamic Bank and (iii) Dubai Jordan Islamic Bank.

4. Unified Theory of Acceptance and Use of Technology (UTAUT)

UTAUT has studied the effect of some moderating variables that have been reported in previous research to effect the usage decision. These were experience, voluntariness, age, and gender. Results showed that, with exception to MM and SCT, the predictive validity of the models increased after including the moderators. The authors then examined commonalities among models and found seven constructs to be significant direct determinants of intention or usage in one or more of the individual models. They hypothesized that four of them play a significant role as direct determinants of user acceptance and usage behavior. Based on user acceptance literature and results of models' comparison, attitude, computer self-efficacy, and anxiety were hypothesized not to have a direct effect on behavioral intention. The constructs that do have a direct effect on behavioral intentions and usage are: performance expectancy, effort expectancy, social influences, and facilitating conditions

The constructs in the model were defined and related to similar variables in the four models as follows:

1. Performance Expectancy (PE) is the degree to which an individual believes that using the system will help him/her to attain gains in job performance.
2. Effort Expectancy (EE) is the degree of ease associated with the use of system.
3. Social Influence (SI) is the degree to which an individual perceives that important others believe he/she should use the new system.
4. Facilitating Conditions (FC) is the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system.

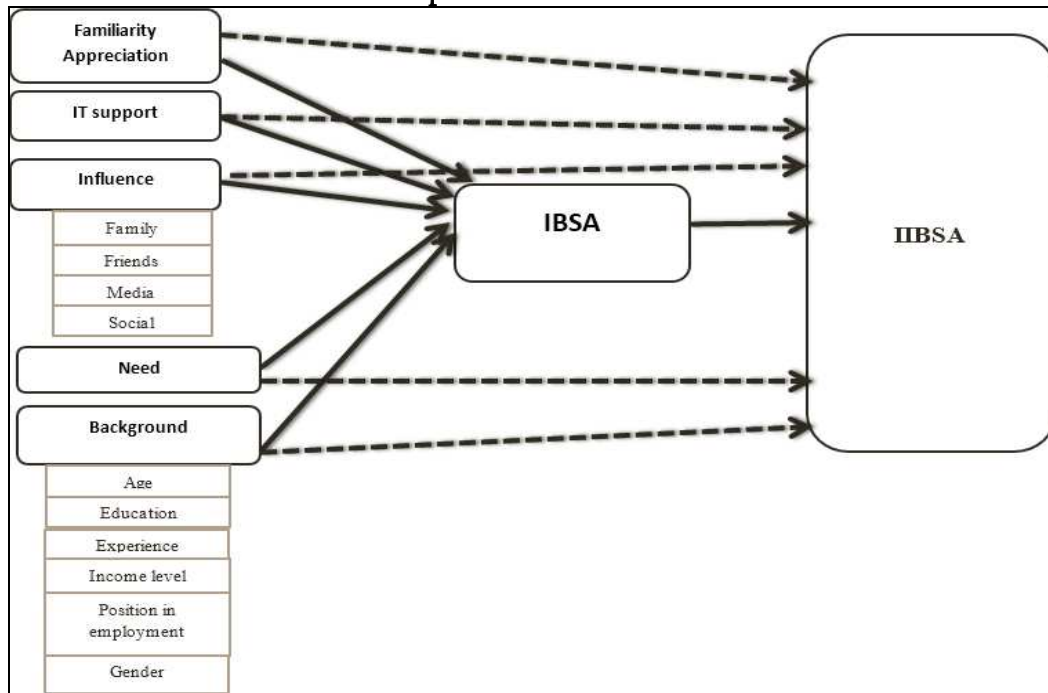
C. RESEARCH FINDINGS

Based on previous literature, a proposed model of Internet Banking Service Adoption comparison to Islamic Internet Banking Service Adoption is developed as in Figure 1. It shows the potential relation between factors that influence Internet Banking Service Adoption (IBSA) or Islamic Internet Banking Service Adoption (IIBSA). The factors had been identified through critical literature review are as follow:

1. Internet familiarity is important in understanding the perceptions, attitudes and behaviors of consumers in an online banking environment (Polasik & Wisniewski, n.d.).
2. IT support could be defined as the advantage of technology allowing users to easily utilize the technology services with more flexibility (Shih & Fang, 2006).
3. The construct of influence is similar to subjective norms as concepts have similar behavior and were significant in compulsory settings and insignificant in voluntary contexts.
4. Consumers indicate their needs for better record-keeping in all financial categories; faster, more personalized access to relevant investment information; simpler ways to comparison shop for financial services and products; and improvements in customer service (Hynes, 2001).
5. Background can be define as part of a picture, scene or design that forms a setting for the main figures or objects, or appears furthest from the viewer. (University, 2017).

Influence factor representing four sub factor that are family, friends, media and social meanwhile Background factor representing 6 sub factor that are age, education, experience, income level, position in employment and gender. The final model will determine either all the factors have direct impact or indirect impact to IIBSA.

Figure I
Proposed IBSA Model



Last to say, limited research uses UTAUT theory to investigate adoption of internet banking. Regarding to (Ahmed, 2015), there is need to conduct research in other Theory such as UTAUT. Most of the previous research studied about customer perspective in general. Only few researches had been done towards higher education student and University employees. New study should focus on non-Internet users to investigate factor influence them to adopt internet banking (Ahmed, 2015). Therefore there is a gap to conduct research about army sector in Jordan. This study also will focus on Jordan since there are lack of research on actual customer resistance behavior of internet banking in the less developed countries (Ahmed, 2015; Yadav, Chauhan, & Swaroop, 2015). Finally, there are few studies to cover the internet Islamic banking.

D. CONCLUSION

This paper has provided a conceptual model that can serve as a base for further research in the field of internet banking services and internet Islamic banking services. It is suggested that familiarity, social influence, needs, customer background and IT support affect adoption of internet banking services. In

addition familiarity, social influence, needs, customer background and IT support affect adoption of Islamic internet banking services. This research was limited to the conceptual literature, thus it would be useful for future studies to focus more on empirical study in Jordan banking sector. Extending the research to empirical surveys would contribute to the literature, especially at the banking sector in Jordan.

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