Structural Models for E-Banking Adoption in Vietnam

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ABSTRACT

E-banking is seen as the newest delivery channel for banking services in many developed countries and is believed to have a significant impact on the bank market. E-banking is providing numerous opportunities for banks and non-bank financial institutions to add a low cost distribution channel to their existent distribution channels. Little research on factors influencing the adoption of e-banking has been implemented in countries with very high economic growth rates (such as Vietnam) that are emerging as new potential markets. Thus, this study has, based on an extensive literature review on e-banking benefits for both banks and their customers and relevant theories on innovation adoption, proposed alternative models (including both moderator and mediating effects) of e-banking intention to use by customers in Vietnam. Furthermore, a set of model hypotheses presenting relationships among factors influencing e-banking intention to use have been set up. Practical implications and future studies were also discussed.

Keywords: Bank Image, Decomposed of Theory of Planned Behavior, E-Banking, E-Banking Adoption, Perceived Risk, Technology Acceptance, Theory of Planned Behavior, Theory of Reasoned Action, Trust

INTRODUCTION

Banking can be considered an intensive information activity based on communication and information technologies for the purpose of gaining, processing and distributing information to users involved (Keramati et al., 2012; Srinivasan, 2010; Sufian, 2010). Such technologies play an important role not only in the three stages of information (Smolander, 2010), but also in creating favorable conditions for banks to differentiate their products and services from their rivals (Yan et al., 2012). In order to be successful in a highly competitive banking market, it is required that banks
innovate and update their products/services offered in an attempt to retain their demanding and discerning customers (Pham, 2010). Facing challenges related to gaining a larger share of the banking market, a number of banks have been making significant investments in building more brick and mortar branches to expand their geographical penetration, while others have been utilizing the Internet to distribute banking products/services (Schubert et al., 2011). In the 1990’s, the Internet rapidly gained popularity as a potential medium for electronic commerce (Crede, 1995). Rapid growth of the Internet has brought about numerous new opportunities as well as threats to businesses (Cruz-Cunha & Putnik, 2009). Today, the Internet is believed to be a full-fledged delivery and distribution channel supporting consumer-oriented applications (Mouakket, 2010; Pham & Teich, 2011; Varajao et al., 2009), including those aimed at effectively and efficiently providing financial products and services to customers in the banking sector (Pham, 2010).

In the US, banks have been offering their services/products to customers via the Internet and a number of Internet banks, such as Bank of Internet, have emerged. In addition, the Internet is viewed as a strategic weapon that is expected to bring about new comparative advantages for banks, especially when competitive advantages of traditional branch networks are rapidly eroding (Seitz & Stickel, 1998) and brick and mortar only banks may largely disappear. Indeed, the emergence of e-banking has induced many banks to rethink their information technology strategies in order to stay competitive (O’Connor & Arteaga, 2008). It should be noted that customers are today increasingly demanding with respect to the quality of banking services. They want better levels of convenience and flexibility with banking products and services that traditional retail banking could not offer (Lagoutte, 1996). E-banking has made favorable conditions for banks and other financial institutions to offer such products and services by taking advantage of an extensive public network infrastructure (Ternullo, 1997).

However, in spite of such potential benefits, there still exist a number of problems that need to be dealt with before e-banking can become widely adopted (Pham, 2010).

Up to now, a great deal of literature has identified key factors influencing the adoption of e-banking in developed countries – North America and Europe and to a lesser extent in other regions including a mix of developed and developing countries, such as Singapore, Taiwan, Malaysia, and Thailand (Pham, 2010). However, little research on factors influencing the adoption of e-banking has been implemented in countries that are emerging as new potential markets with very high economic growth rates. Among these countries is Vietnam where its average economic growth rate (GDP) was over 7% during the 1990s and early 2000s, and more than 8% in 2006, which made it one of the highest growing economies in the World (World Bank, 2006). Together with Vietnam’s entry into the World Trade Organization dated on 7 November 2006, its banking sector is increasingly being deregulated in accordance with the requirements set up by the World Trade Organization. These moves create the opportunity for fierce competition among local banks and foreign banks, and Vietnamese banks may have to adopt the Internet as a primary service delivery channel in order to survive. Thus, the objectives of this study are as follows:

1. Investigate e-banking benefits for both banks and customers;
2. Conduct an extensive review of literature on relevant theories on adoption of an innovation; and finally;
3. Construct alternative structural models based on integration of the tenets of innovation theories, trust, perceived risk, bank
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