Chapter 1

INTRODUCTION

The target respondent of the current research is young adult in Vietnam who are range from 18 to 40 years old. The reason to focus on this target groups is they have more advantages to using internet banking such as well education, better internet and computer skill as well as more requirement to use internet banking. In this chapter, an introduction and a background of this study will be shown. Subsequently problem statement and the disposition of the research structure are shown up.

1.1   Background

Vietnam has a development success story. Political and economical reforms (Doi Moi) launched in 1986 have transformed Vietnam from one of the poorest countries in the world, with per capita income below $100, to a lower middle income country within a quarter of a century with per capita income of $1,130 by the end of 2010. The ratio of population in poverty has fallen from 58 percent in 1993 to 14.5 percent in 2008, and most indicators of welfare have improved (http://www.worldbank.org/en/country/vietnam/overview). Vietnam joined the World Trade Organization in January 2007, which has promoted more competitive, export-driven industries. Vietnam became an official negotiating partner in the Trans-Pacific Partnership trade agreement in 2010. Agriculture's segment of economic output has continued to shrink from about 25% in 2000 to less than 22% in 2012, while industry's share increased from 36% to nearly 41% in the same period. State-owned enterprises account for roughly 40% of GDP. Poverty has declined significantly, and Vietnam is working to create jobs to meet the challenge of a labor force that is growing by more than one million people every year (https://www.cia.gov/library/publications/the-world-factbook/geos/vm.html).

Viet Nam's population order is 14th among all countries in the World with approximately 91.519.289 million people. The majority of Vietnamese reside in rural area. The urban residents are accounted for 30% of the total population while the rural and mountainous residents are estimated at 70%. Viet Nam has one of the youngest populations, with an estimated 50% of the total population under 30. A young and growing population suggests that consumer behavior of the part of a large percentage of the population is far from fully forme (http://www.indexmundi.com/vietnam/demographics_profile.html).

Vietnam's banking system can shortly be marked back to 1988 when four state-owned commercial banks were split up from the State Bank of Vietnam (the central bank of Vietnam). Along with the open-door economic policy, which started in 1986, and the policy to attract foreign investment, endorsed by the Sixth Congress of the Communist Party of Vietnam, the decade from 1986 to 1996 saw a banking boom in Vietnam (VBSP's reports, 2005).

Whereas the access to credit institutions is much simpler and diffuse to nearly everyone, Vietnamese still have little confidence in using online transaction because of their hard experiences during wars and financial system crunches. Almost transactions are usually in cash. Customers have not developed the habit of using credit cards and merchants don't encourage it. Merchants, who employ accountants, cashiers, and safe deposit boxes are estimated to spend 5.6 percent on financial operations, but are hesitant to spend the two percent fee for getting money from a credit card.

Another barrier is related to age. Although the internet population in Vietnam is at 31 million, most of those are young people. They are in school, starting their careers, or in mid-career. Their salary is either low or non-existent. On the other hand, the older population does have money to spend, but isn't online.

The final major barrier is a fundamental skepticism about digital content. Vietnamese consumers want to touch the clothing they will wear. They want to feel the texture of the cloth. They want to hold electronics in their hands and see how well it works. Vietnamese wives are at the heart of the shopping decisions in a family, and they are going to be very careful about major purchases like electronics as well

as things like clothing. Making those choices online doesn't give customers enough data to make what they feel is an informed decision. (http://www.techinasia.com/ecommerce-vietnam-status-report-part-1/).

One reason why people are reluctant to open bank accounts in Vietnam is that they wish to avoid the seizure of taxable income by the authorities (http://vneconomy.vn/en/finace/banking_monetary/02-0070.htm). Nonetheless, it is quite likely that most people have earned extremely low incomes, and have little need for bank accounts. It is said that Vietnamese will gradually open bank accounts, in proportion to growing incomes and savings.

The aggressive competition among banks operating in Vietnam will eventually lead to a marathon to improve service in order to attract customers. This race will make the launch of IB services inevitable. In fact, some banks in Vietnam are already providing IB. However, IB remains immature in Vietnam, and is negatively perceived and little utilized. This examine thus investigates factors influence on the intention to use IB of Vietnamese customer.

1.1.1 Theoretical Background:

The internet is truly a global phenomenon, it makes both time and distance to become irrelevance to many exchanges. Several models have been created to look at and understand the factors influence on the acceptance of computer technology in organizations Technology Acceptance Model (TAM) (F. Davis, Bagozzi, & Washaw, 1989) (Moore & Benbasat, 1991) (Ndubisi, Jantan, & Richardson, 2001); The theory of reasoned action (TRA) (Fishbein & Ajzen, 1975) (Ajzen & Fishbein, 1980); The Theory of Planned Behavior (TPB) (Ajzen, 1991) (Mathieson, 1991); The Decomposed Theory of Planned Behavior (Taylor & Todd, 1995), (Tan, 2000); Innovation Diffusion Theory (Rogers, 1983).

It has been found that user's attitude towards the acceptance of a new information system (IS) has a critical impact on its success (Succi & Walter, 1999) (F. Davis et al., 1989) (Venkatesh & Davis, 1996). Researchers have been attempting to find factors that influence on the behavioral intention of individual to use information technology (IT) in order to expand its usage. My research proposes the

application of the technology acceptance model (TAM) to capture factors which have significant impact on the adoption of internet banking.

TAM has been used in many studies (F. Davis, 1989) (F. Davis et al., 1989) (Adams, Nelson, & Todd, 1992) (F. D. Davis, 1993) (Taylor & Todd, 1995) (A. Y. Chong, Ooi, K.B., Lin, B., Tan, B.I., 2010) and it has been found that TAM's ability to explain attitude toward using an information system is better than other model's (Mathieson, 1991). The TAM reveals that two particular beliefs, perceived usefulness and perceived ease of use, are most related to IS acceptance behaviors. These two beliefs create a favorable behavioral intention toward using the IT that consequently affects its self-reported use (F. Davis et al., 1989).

One key benefit of using TAM to understand system usage behavior is that it provides a framework to investigate the effects of external variables on system usage (Hong, J.Y.L.Thong, W.Wai-Man, & Tam, 2002). Several important external variables that have received more and more attention in the context of TAM research are individual differences, such as trust (Nor & Pearson, 2007) (Zhang, Zhou, Wang, & Zhang, 2008) (A. Y. Chong, Ooi, K.B., Lin, B., Tan, B.I., 2010) government support (A. Y. Chong, Ooi, K.B., Lin, B., Tan, B.I., 2010) (Tan, 2000). This study propose three extra factors (trust, government support and social influence) to enhance the understanding of an individual's adoption behavior of IB.

1.2   Research motivation

Organizations invest in IS for many reasons, for example cutting costs, producing more without increasing costs, improving the quality of services or products (Lederer, Maupin, Sena, & Zhuang, 1998). It has been noted that user's attitudes towards and acceptance of a new IS have a critical impact on successful IS adoption (F. Davis, 1989) (Venkatesh & Davis, 1996) (Succi & Walter, 1999). If users are not willing to accept the IS, it will not bring full benefits to the organization (F. D. Davis, 1993) (Venkatesh & Davis, 1996). The more accepting of a new IS the users are, the more willing they are to make changes in their practices and use their time and effort to actually start using the new IS (Succi & Walter, 1999).

The success of IB is not only assigned by banks or government support but also by customers' acceptance of it. The customer has a great influence on the adoption of IB (Pikkarainen, Pikkarainen, Karjaluoto, & Pahnila, 2004). Consumer's final decision on whether they will use IB based on their individual needs. If services can clearly indicate the benefits and how they address consumer's needs, then consumers are more likely to use IB. Previous studies IB have mainly focused on innovation adoption in the context of North America and Europe (Pikkarainen et al., 2004) and to some degree, other areas such as Turkey (Polatoglu & Ekin, 2001).

Acording to a new report by the Interactive Media in Retail Group (IMRG), Global business-to-consumer e-commerce sales will pass the 1 trillion euro ($1.25 trillion) mark by 2013 (http://www.internetretailer.com/2012/06/14/global-e-commerce-sales-will-top-125-trillion-2013). In Vietnam: traditional retail still dominated. Vietnam is in 23rd place, and is still attractive, with an expected market size of $113 billion by 2012 and a growing population of 88.9 million. Vietnam officially opened its retail market to international entrants with 100 percent foreign capital in early 2009, at the hight of the global economic crisis, when many multinational companies were taking a more conservative approach to expansion (The 2011 A.T kearney global retail development index http://www.atkearney.com/documents/10192/3903b4b7-265c-484e-932c-50169e5aa2f3). This indicates that Vietnam is a potential market for e-commerce. The IB in Vietnam is only the computerization of traditional services, that is, offer of old services through new channels. Since the IB services are new and most customers do not pay much attention to them, commercial banks in Vietnam are reluctant to launch new services.

IB becomes a major trend in the financial marketing place and is a new phenomenon in Vietnam which has not caught on with the banks customer. Thus, this research is aimed at identifies the factors influencing the intention of using IB system in Vietnam.

1.3   Importance and objective of the research

In management information systems (MIS) research, IT usage is always a key dependent variable (DeLone & McLean, 1992). IB is determined as a key for the success of banking industry and the regulatory community. Some analysts argue that IB is revolutionizing the banking industry. Others see the internet as simply adding another delivery channel for remote banking to existing channels such as automated teller machines (ATMs) and telephone banking. The acceptance of IB by banks has increased rapidly, and many banks have made the development of services over the internet as a major component of their business and marketing strategy.

Although there are past literatures studied on the intention to adopt online banking, many of these studies have tended to focus on European countries or the United States (Pikkarainen et al., 2004). However, Vietnam is different from these countries given that the economy is still expanding in recent years and its e-commerce infrastructure is still less developed (A. Y. Chong, Ooi, K.B., Lin, B., Tan, B.I., 2010). Therefore, the acceptance of IB is still at its infancy when compared to other developed nations. Thus, the main objective of this study is to understand the customers' perception towards the adoption of IB in Vietnam and identifies the factors that can guess their intention to use in internet banking context. It will help banks formulating IB strategy by emphasizing the relevant criteria at each phase necessary for a successful adoption process. Moreover, quantify constructs concerning the current state of consumer beliefs, attitudes toward internet banking, develop and validate the relationships between the factors that drive the adoption and acceptance of such services.

1.4   Research question

Based on research objectives, the research questions in this research will address include:

Do perceived usefulness, perceived ease of use, trust, government support and social influence have impact on intention of using IB?

Does demographic profile have a significant on intention to use IB?

Is there any difference in factors influence on the adoption of using internet banking between user and non-user, customer in rural and urban area?

1.5   Research structure and process

The table 1.1 shows step by step, the structure and the procedure of the study, in order to achieve a clear way to obtain the results and conclusions to support the hypotheses.

Table 1.1 Research structure and process

Steps	Chapter	Procedure	Purpose
Introduction	1	Introducing background and motivation. Identify study goals of this study	Giving problems, the importance of problems to motivate study deeply how to handle with problems
Literature Review	2	Conducting literature Review of research variables. Establishing hypothesis	Providing the definition of each variable, how to measure them and how do they influence on customer's adoption of IB, and then giving the hypothesis about the relationship between each independent variable and the dependent variable.
Methodology	3	Research framework Questionnaire design. Sampling plan Technical analyze	Propose the framework of this research, the measurement method, the sampling plan and data analysis techniques.

Data analysis and result	4	Collection of survey data Data analysis. Interpret and discussion of the analysis result.	Providing the survey's result, Descriptive analysis, demonstrate the relationship between each independent variable and the dependent variables and summary the hypothesis testing.
Conclusion	5	Conducting conclusion. Conducting suggestion	Giving the discussion, limitations and future research suggestion.