

CHAPTER I

INTRODUCTION

1.1 Background of the study

Information technology (IT) is a term that encompasses all forms of technology used to create, store, exchange, and use information in its various forms such as business data, voice conversations, still images, motion pictures, multimedia presentations, and other forms. It is also convenient term for including both telephony and computer technology in the same world and the technology is also known as “the information revolution” (Rouse,2005). In the 1960’s and 1970’s, the term of IT was known as a phrase that used by people who works at banks or hospital to describe the processes which been used to store the information. In the late 1979’s, microprocessors which contain memory, logic, and control circuits and an entire CPU (Central Processing Unit) on a single chip was invented. From that invention, it brought people to step out from the old times to computing technology and paperless industry and follow the advanced of it. (<https://www.for.gov.bc.ca/hfd/library/bcfs100/FSITHist.pdf>, retrieved on Des7, 2012).

Until nearly the early 21st century, almost each child in western and many other parts in some countries knew how to use the computer. Communication has advanced, from physical to postal mail, to telephone fax transmissions, to nearly instantaneous digital communication through electronic mail or it called as email. Especially, the information technology industry has turned out to be a huge employer of people worldwide, as the focus shifts in some nations from manufacturing to service industries (<http://www.computerscience.com>, retrieved on Des7, 2012).

Since the technology has advanced through many industries, it spreads to almost each sector business in Indonesia, such in fashion industry, retail industry, education sector, even in bank sector. The introduction of the internet in 1969, it has evolved from the sole domain of the computer nerd and the academic to a mainstream channel of communication (Nehmzow,1997). The concept of internet banking has grown up along with the wide of web world and recently, it has been rapidly gaining popularity as a potential medium for electronic commerce (Crede,1995; Ooi,1999; U.S Department of Commerce,1999). During the 1980's, programmers are working on a database of banks to come up with ideas for online banking transactions (Wahyunugroho & Bambang, 2007). Creative development of this service may threaten the traditional banks which has not offer internet banking through the customers.

Many banking institutions have started to create a data facility staff to facilitate the customers. The database development has been widely used during the development of Automatic Teller Machine (ATM). In the 1983, Nottingham Building Society which abbreviated as NBS, the first internet banking service launched in the UK. Unfortunately, the system was not developed properly, the system that produced by NBS was taken from the Prestel system, that was used by British postal service departments. Until on October,1994, United States launched the first online banking service which developed by Stanford Federal Credit Union. The internet is now being considered as a strategic weapon and will revolutionize the way banks operate, deliver, and compete against one another, especially when competitive advantages of traditional branch networks are eroding rapidly (Nehmzow,1997; Seitz,1998).

Customers today are demanding much more from banking services, want new levels of convenience and flexibility (Birch & Young, 1997; Lagoutte,1996) on top of powerful and easy to use financial management tools and products and services that traditional retail banking could not offer. Customers are divided into several parts, such as the young customers like teenagers, children and students. Banks find that it has to constantly innovate and update to retain the demanding

and discerning customers and to provide convenient, reliable, and expedient services. Moreover, internet banking has allowed banks and financial institutions to provide these services by exploiting an extensive public network infrastructure (Ternullo,1997). In early 2001, Bank Central Asia (BCA) was the first bank in Indonesia who dared to operate the massive internet banking in Indonesia (<https://ibank.klikbca.com>, retrieved on May20, 2012), then it was followed by others banks such as Bank Mandiri, Bank Danamon Indonesia, Bank Mega, Bank Lippo, Bank Commerce International Merchant Bankers Berhad (CIMB) and many more.

Internet banking services are crucial for long-term survival of banks in the world of electronic commerce (Burnham,1996). Furthermore, the market for internet banking is forecasted to grow sharply in the next years, affecting the competitive advantages enjoyed by traditional branch banks (Dulclaux,1996; Liao *et al.*,1999). It would help banks present a potentially low cost alternative to brick and mortar branch banking (Burnham,1996). Lately, the numbers of internet users has increased significantly during the recent years, while the internet banking has not popular yet among Indonesians' customers (<https://ictwatch.com>, retrieved on Des7, 2012). In the year of 2001, only 293.351 people from the whole population of Indonesian who used internet banking services. According to the survey in 2010, it was predicted that only seven percent of internet users used the internet banking service, unfortunately many of that people did not use the service because of the complicated processes and lack of trust among the security of each transactions that offered by banks.

Nowadays, marketing of banks are trying to keep offering bank product to the customers even the student in college. Students are seems to be the prospective customers towards each banks as students are update to the advance of the technology, following the trends even internet banking. One of study the Congress of Industrial Organization (CIO) Journal, stated that about 97% of teens and young adults between the ages of 13 and 24 like and follow the advanced of technology (<https://www.u-s-history.com>, retrieved on Des7, 2012). It makes banks starting to conduct transaction payment through internet banking, such

corporate with universities. Based on the background above, the researcher proposed a research entitled “*Factors influencing UPH Surabaya Students’ Intention to Adopt Internet Banking Services*”.

1.2 Research Problem

This study answered the research problem, “What are the factors that influence UPH Surabaya students’ intention to adopt and to not adopt internet banking services?”

1.3 Research Objectives

The objectives of this research study are to present the characteristics of students who have adopted and not adopted internet banking services in Universitas Pelita Harapan Surabaya; and to identify the factors that influence the students to adopt internet banking services.

1.4 Research Contributions

1.4.1 Theoretical Contributions

This research is aimed to enrich the theory of marketing, especially the theory which is related with the function of electronic commerce. The result of this research could be use as the reference for the next research.

1.4.2 Empirical Contributions

1. Banks in Surabaya

This study can be used for banks in Surabaya to figure out which factors that will influence the customers most in adopting internet banking services that offered by banks, and how to apply theory of marketing.

2. Researcher

This study can be used for the researcher to apply the theories that can be applied in university and enrich the knowledge of researcher by comparing the theory and the practical.

1.5 Research Limitation

1. The research study is conducted in the year of 2012 in Surabaya. The independent variables on this research can not 100% explain the variance of customer intention to adopt internet banking services. It means that there are other variables which can explain more, and it will encourage other researcher to determine it.
2. The object of this research is only constrained to students of Universitas Pelita Harapan Surabaya.
3. This research study was compiled into some variables such the perceived characteristic of internet banking and intention to adopt internet banking.

1.6 Research Outline

CHAPTER I – INTRODUCTION

Chapter one of this research arranges the research problem for the reader. It provides the research background information to define the issue and important term which is related to factors that influencing UPH Surabaya student's intention to adopt internet banking services. Moreover, it specifies the research objectives in greater detail to contribute in understanding the research problem.

CHAPTER 2 - REVIEW OF RELATED LITERATURE

Chapter two of this research summarizes the major studies and findings that have been published on the research topic and how this study will contribute to what has already been studied in pervious journal. This chapter is also a part of

stating a clear description of the theory, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

CHAPTER 3 - RESEARCH METHODOLOGY

Chapter three explains the detailed technical and scientific activities which include the research design, sampling plan, research instrument, statistical tools and treatment of data.

CHAPTER 4 - RESULT AND DISCUSSIONS

Chapter four organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researches presented at the beginning of the study.

CHAPTER 5 – SUMMARY, CONCLUSION AND RECOMMENDATION

Chapter five outlines the implications, conclusions and recommendations supposed to advance the study of the research topic by its theoretical, methodological or substantive contributions.