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**INFLUENCING FACTORS ON CUSTOMER PERCEPTION OF
INTERNET BANKING**

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INFLUENCING FACTORS ON CUSTOMER PERCEPTION OF INTERNET BANKING

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ABSTRACT

This study intends to identify the internet banking services provided by selected local banks in Myanmar and to explore the influencing factor of banks' customer perception of efficiency and save costs of internet banking. For these objectives, primary and secondary data were collected by structured questionnaires and sent to the respondents who are using internet banking of the local private banks. These customers are selected by using convenience sampling method. Therefore, the respondents are choose 120 and the finding of this study indicate that factors of ease of use, convenient, service awareness & save cost were significant influencing in customers' perception. As the result of the correlation analysis, there is strongly direct relationship between customer perception on internet banking services and the efficiency and cost savings. Thus, Myanmar banks should focus on those areas for promoting their internet banking services. The local banks should provide the cyber security monitoring system and also provide the software more user-friendly. It will lead to high impact on usage of internet banking services as well. Thus, all in all, banks should invest in security issue, consider for cost area and user-friendly software which can attract more customers to use internet banking and it will lead to development of Myanmar Banking sector.

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CHAPTER I

INTRODUCTION

The banking Industry has been tremendously influenced by technological advancements just like the other aspect of life. Internet banking means using the internet as a delivery channels to carry out banking services, which consists of new banking services. It has been observed that the incredible growth of Internet use by bank customers as well as the business organizations has altered the competitive arena, which is quite unique and considerably different from that of the traditional physical marketplace. Internet banking is a financial institution with no physical branches; everything is completed online. There is no ability to cash a check, deposit cash and or coinage and such. Online banking has always been important from different stakeholder perspectives. (1) Improving the efficiency of Internet banking is now considered to be important. Banks hope that internet banking helps them maintain profitable growth by enabling them to automate work, reduce costs, and retain customers simultaneously. (2) Internet banking may help reduce expenditure on

'bricks and mortar,' (Merriam-Webster reports) and reduce capital expenditures. (3) Internet banking can give customers 24-hour access, and provide convenience for customers.

The Internet can currently be considered as the cheapest distribution channel for standardized bank operations, such as account services or transfer of funds. In their study of Turkish online banking, Polatoglu and Ekin (2001) reported that the average cost of online transactions was \$0.10, compared to \$2.1 for a teller. The Internet can currently be considered as the cheapest distribution channel for standardized bank operations, such as account services or transfer of funds. In their study of Turkish online banking, Polatoglu and Ekin (2001) reported that the average cost of online transactions was \$0.10, compared to \$2.1 for a teller. Similarly, based on a sample of Polish banks, Polasik (2006) estimated that the cost of Internet and in-branch bank transfers was €0.08 and €0.46 respectively. Cost-effectiveness aside, provision of web-based banking services gives access to customers residing outside the branch network and creates opportunities for effective cross-selling. Similarly, based on a sample of Polish banks, Polasik (2006) estimated that the cost of Internet and in-branch bank transfers was €0.08 and €0.46 respectively. Cost-effectiveness aside, provision of web-based banking services gives access to customers residing outside the branch network and creates opportunities for effective cross-selling.

From the viewpoint of the consumers, the decision to use Internet banking is frequently motivated by convenience and efficiency (Bruno, 2003). Online account holders do not have to make a trip to the local branch, queue, or be constrained by the bank's opening hours (Lassar et al., 2005). Furthermore, many banks try to lure customers into using Internet banking by offering lower fees, or better rates on deposits and loans. Provision of such incentives is induced by the increasing competition in the market and enables the cost savings to be passed onto the consumer.

Cost-effective use of the internet can attract many users to online banking services, but there has been little research examining the superiority of banks providing online banking services over those that do not. The role of online banking in leading to better decisions and creating more profit needs study. The emergence of e-banking has significantly redefined and transformed bank's operation. All banks are investing heavily on emerging technologies that assure customer satisfaction in e-banking. Nowadays, Myanmar Banking Industry is recognize technological

innovation as critical enablers for organizations' performance by creating value and quickly evolving environment.

Technology is viewed as the major driving force in the success performance. The banking Industry has already been employing the Internet as an alternative service delivery channel in providing their customers with a variety of Financial services. It has been pointed out that the introduction of e-banking services could offer both bankers and customers diverse benefits. The direct introduction between the customers and the e-bank's Website over the Internet enables the e-bank's Website over the Internet enables the e-bank to lower its operating costs and Fixed costs by reducing the number of employees, branch offices and other physical facilities while maintaining a high quality level of customer services. It entails the use of as a service that enables a bank client to effect a financial transaction anywhere, via electronic means without necessarily visiting the brick-and-mortar bank.

These cost benefits could make favorable conditions for the e-bank to provide customer services with lower fees and higher internet rates on interest bearing accounts than traditional brick-and-mortar banks. Internet banking is the opposite of a brick-and-mortar bank (Merriam-Webster reports that the term was first used in 1992). In 1990's, many banks were collapse and many challenges have been experienced in banking sector. Traditional banks are not the only financial institutions that must reduce costs and implement new technologies. Senior management at a profitable online bank that attracted customers was concerned about looming challenges; low interest rates, a growing regulatory burden, new competition from fintechs and digital giants that concern traditional financial institutions. Bank Customers' expectations for the quality and speed of services were rising. With low costs and no branches, the bank could price competitively. It wanted to find new ways of using digital technologies and push them to their limit.

1.1 Rationale of the Study

Internet banking facilities helpful to overcome constraints, barriers and cost saving and time is saving to their banking customers. Without having to visit or call the bank, bank customers can carry out paying bills and transferring money and its quick and motivate make transactions through the internet on the smart phone, tablet or computer. Banks motive more and more customers by using internet banking.

Internet banking is providing convenience way to make payments for daily and monthly just like electricity bill, internet bill, telephone top-up bill etc.

Internet banking can give customers 24-hour access, and provide convenience for customers. With the development of internet banking customers' received the freedom of banking at any time and at any place; all one need is a computer with internet access. On the go technology kept developing and this has enabled banks in making online transaction services safe and more economical. The role of online banking in leading to better decisions and creating more profit needs study. Opening up a new virtual bank branch requires high expenditure and faces limitations, but online banking websites can provide services to customers throughout the world as long as customers are able to surf the internet (Desheng Dash WuDavid L. Olson).

To achieve the economic development of Myanmar, the high speeds in connectivity of internet connection encourage private commercial banks to extend their banking services around the country. Adopt the Central Bank of Myanmar Law 2011 and liberalize the financial service by rules and regulations.

Myanmar Banking industry is the most essential sector within the 14 economic sectors. It is the important role; Union of Myanmar had an economic reform as well as financial sector development. Instead of traditional payment system, replaced by internet banking system with the aids of advanced communication technology (ICT) including automated teller machine (ATM), electronic fund transfer (EFT).

Nowadays in Myanmar, almost every bank provides Internet banking services to their customers. Internet banking is the solution for creating convenience banking services directly to customers together with saving costs also. Internet Banking can access the accounts and conduct transactions at any time and place of customers' convenience. Secured channels used so that customer's transaction and data are fully protected from loss or theft. Customers do not need to go to the bank's premise to conduct transactions, saving time and money. The transactions are done in real-time and cost save.

This research provides valuable information to the bank about customers to adopt internet banking for their financial transactions. Thus, this will be on the perception of bank customers toward using of Internet Banking services enhance the banking facilities and together with save cost.

1.2 Objectives of the Study

There are two major objectives of internet banking service in bank are as follows;

- (1) To identify the internet banking services provided by Selected Private Banks in Myanmar
- (2) To examine the influencing factors on Customer Perception of Internet Banking

1.3 Methods and Scope of the Study

Scope of this study carry out Internet Banking services provided by Local Private Banks in Myanmar. Descriptive method are mainly used in this study. This study employs primary data as well as secondary data. Quantitative analyses are mainly be applied in this study. The primary data was collected by structured survey and sent to the respondents who are using of internet banking services. These 120 respondents are users of selected local private banks and are more than 10% of market shares of Internet banking in Myanmar. This study was using convenience sampling method. Secondary data was collected from different published sources; reports, research papers, articles and news from Internet, information from Myanmar Payment Union, Central Bank of Myanmar and Myanmar Bank Association.

1.4 Organization of the Study

This study consists of five chapters. Chapter one contains the introductory part that is the background of the study, the structure of the study, rationale of the study, objectives of the study, scope and method of the study. Chapter two is theoretical background and Literature review. Chapter three describes the profile of selected private banks. Chapter four deals with discussion result on the effective

system in banking by use internet banking. Chapter five presents conclusion of the whole study and suggestions on the summary of findings and conclusion are given.

CHAPTER II

THEORETICAL BACKGROUND

In this chapter, theory background of Internet Banking such as comparison between brick-and mortar banking and internet banking; internet banking challenges and so on. There are five sections and then presented the theoretical background on the defining internet banking, spread over the benefit of internet banking services in international Banking Industry. Moreover, the concerns of customers' perception regarding internet banking how cost effective and popular in the usage of internet banking tools under investigations.

The internet banking connects to the financial institutions servers and allows the user to check their balance, transfer funds, open or close accounts, order debit or credit cards, cash checks, and more. Additionally, accounts can be directly funded from a traditional bank account via electronic transfer. Most direct banks offer unlimited transfers at no cost, including those destined for outside financial institutions. They will also accept direct deposits and withdrawals that you authorize, such as payroll deposits and automatic bill payment. Internet banking allows the user to conduct financial transactions via the internet. It is also known 'Web Banking' which will offer customers just about every service that is traditionally available through a local branch. Through Internet banking, basic banking transactions such as paying bills and transferring funds between accounts can easily be performed at times convenient to customers.

2.1 Definition of Internet Banking

The term of 'Internet Banking' is an electronic payment system that enables customers of a bank or other financial institutions to conduct a range of financial transactions through the financial institutions websites. The web browser is used for making the online transactions (Berger, 2003). When internet banking was first introduced banks used it as a medium to advertise services and as a mode to communicate with customers (Daniel, 1999).

A direct bank is called 'Branchless Bank' or 'Internet Bank'. It is a bank without any branch network that offers its services remotely via online banking and telephone banking and may also provide access via ATMs often through interbank network

alliances and mail and mobile. The concept of a direct bank gained prominence with the advent of online banking technology in the early 1990s which led to a number of direct banks being created, although money were owned by traditional banks. A number of direct banks offer only online saving account and these banks typically offer higher interest rates than their traditional competitors as these banks can be very cost efficient to operate.

The commercialization of the Internet in the early 1990s was the biggest driver in the creation of full direct banking models. As the Internet became more widely accessible, traditional banks sought to reduce operational costs by offering internet banking services. At the same time, internet only banks or 'Virtual Banks' appeared. These banks did not a traditional banking infrastructure such as a branch network, a cost-saving feature that allowed many of them to offer saving accounts with higher interest rates and loans with lower interest rates than most traditional banks. Virtual banks could operate virtually from a single PC and server administration without a substantial infrastructure.

Since mid-2000s online and telephone banking has become mainstay of retail banking and most banks have incorporated these into their core services and transforming or reducing their branch network to mirror the advantages that direct banks have. Banks know that society is evolving so they have to adapt to changes and make it easier for customers to control their savings. In fact, the technology revolution many people still don't know what is mobile banking and what is internet banking, also if it is safe to use.

Internet banking is a financial institution with no physical branches; everything is completed online. There is no ability to cash a check, deposit cash and or coinage and such. It is fast and efficient of electronic payment system that enables day by day customers using internet banking is on the rise. Now established in the majority of emerging economies, internet banking is a maturing industry serving new business areas and enabling a wider range of digital payment. Internet banking became popular in the late 1980s. Since 1980s, the innovations in the banking system have started and are still continuing (Afshar, Siddiqui & Seeja, 2009).

. Internet Banking, defined as "the delivery of banking services" through the open-access computer network (the internet) directly to customers' home or private address". (Lau, 1997) has experienced phenomenal growth in recent years. In 2006,

Pew Internet and American Life Project reported that nearly half of internet users in the United States – 63 million adults – bank online (Fox and Beier, 2006). In many ways, e-banking is not unlike traditional payment, inquiry, and information processing system, differing only in that it utilizes a different delivery channel.

Any decision to adopt e-banking is normally influenced by a number of factors. Liao et al. (2008) stress that the success in Internet banking will be achieved with tailored financial products and services that fulfill customer' wants, preferences and quality expectations. Nowadays, we can purchase items and services online. Even mobile bill, electricity bill etc., can be paid through net banking (Kothari, 1999, Zerbe, 2001). Today, we can say it is difficult for a bank to survive without having online banking facilities (Zerbe, 2001).

Financial institution must innovate quickly to keep up with consumer demands and to respond to challenges with powerful insights on these trends and highlight innovation technology to help to serve customers now and into the future. Through internet banking, wide range of services are provided by banks through internet media such as bill presentation , fund transfer, investment purchases and sales, loan transactions, checking bank statements and many other services.

2.2 Internet Banking Services in International Banking Industry

Electronic banking (e-banking) technology represents a variety of different services, ranging from the common automatic teller machine (ATM) services and direct deposit to automatic bill payment (ABP), electronic transfer of funds (EFT), and computer banking (PC banking). The use of some e-banking technologies has grown rapidly in the USA, while others have been adopted more slowly. Internet banking is a web-based technology service that has the potential to increase customer satisfactions as well as performance of the banks. Despite enormous benefits internet banking adoption is still a big challenge worldwide. Thus, in order to understand which factors drives user's intention towards adoption of internet banking and E-Service Quality in internet banking adoption context. Previously, internet banking adoption issue has been discussed widely therefore, these studies had focused only on security and perceived risk issues and ignored the technology adoption factors such as performance expectancy, effort expectancy, social influence and facilitating conditions.

The development of information technology changed the way individuals and businesses carry out different activities in the past twenty years all over the globe (Saibaba and Murthy, 2013). More recently, the Internet has transformed into a tool used to reach consumers throughout the world at the consumers' convenient timing and location. Internet is a new communication tool that is characterized as a means of exchange (Al-Qeisi, 2009). In the context of developing nations, there are several challenges faced in the early stages of launching new technologies and these include limited fixed broadband access (ITU, 2010), trust perceptions (Zhang, et al., 2008), perceived usefulness, perceived ease of use, consumer awareness and perceived risk (Alafeef et al., 2012; Safeena and Date, 2015). In comparison to their developed counterparts, developing nations show low rate of information technology and internet service penetration (Alafeef, 2013).

In the context of businesses, the advent of Internet technology transformed the way products and services are designed, communicated and delivered to consumers. Specifically, the internet has provided marketers with many opportunities to understand customers and their needs over competing marketer in the market. For instance, the Internet has made it possible for majority of firms to save costs through personalized communication and products/service delivery online. Firms have also been employing hybrid (physical and virtual) channels to interact with different customer segments, and to expand their market around the globe (Saibaba and Murthy, 2013). Users of the Internet have also showed an increase as avenues of task performance have opened up (e.g., communication, shopping, banking etc).

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 et al. (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).

Internet banking has been traced back to its origins in 1995, with the use of the internet as a remote channel for the delivery of banking services, allowing banks to offer informational as well as transactional services (Furst, Lang & Nolie, 2002). Pyun, Scruggs & Nam (2002) believe that internet technology has had a significant impact on the global financial industry, blurring the conventional boundaries that define product, market and customer. Technological advances such as the Internet have resulted in customers now having a variety of choices available regarding the type of service they want and the price they are prepared to pay. It is therefore essential that banks develop suitable Internet-related offerings, which identify with their customers and address their specific needs (Wang, 2008).

Information technology is fundamentally changing the banking industry worldwide, altering traditional definitions of product, market and customer base. The growth of Internet banking has significantly affected barriers to entry and accelerated financial disintermediation (Pyun et al., 2007). Callaway (2011) believes that banks play a an essential role in financial intermediation as banks carry the risk of finding means of leveraging their liabilities and customer deposits, and to this end, the internet has facilitated this function.

Though there are many advantages of internet banking, but nothing comes without disadvantages and everything has its pros and cons; same is with internet banking. It also has some disadvantages and limitations which must be taken care of. Internet banking also known as i-banking, e-banking or virtual banking. It is an electronic payment system that enables customers of a bank or other financial institutions to conduct a range of financial transactions through websites.

The internet tends to speed the pace of transactions, but limitations with electronic banking keep some activities from moving along more quickly. One advantage of using electronic banking is that the financial institution picks up the cost of handling banking service charges. The advantage of internet banking is the customer avoids traveling to and from a branch. In this way, internet banking saves the time and money, provides convenience and accessibility and has a positive impact on customer satisfaction. The traditional bank's running cost is between 50% to 60% of its revenue, while the running costs of internet banking is about only 15% to 20% of its revenue.

Internet banking provides an array of services including functional budgeting and forecasting tools, financial planning capabilities, investment analysis tools, loan calculators and equity trading platforms. Online accounts are easy to arrange and require lesser information than a traditional bank account. While working through internet banking, banks have the option of calling customer care or emailing the bank directly, if any problem arises. Compatibility is the extent to which a new product or service is consistent and Compatible with consumers' needs, beliefs, values, experiences, and habits. In the case of e-banking, we must consider the degree to which a given technology fits in with the Banking behavior of a consumer, and the way in which they have historically managed their finances. Technological service innovations differ from other commodities insofar as their adoption may require behavior different from

Customer congestion and waiting times at physical branches can be significantly reduced. The breadth of a bank's product line can be increased through internet banking. It is possible to offer a greater number of products per customer, as well as to customize products to specific customers. "One-stop shopping" would now be possible, creating opportunities for cross selling by encouraging customer traffic to a bank's website (Gopalakrishnan et al., 2003). Additionally, internet banking enables customers to consolidate their several financial services into a single website account (Pyun et al., 2002)

Internet banking technology has become a tool used by banks to retain customers, enhance customer experience, and ultimately, increase market shares. According to Tuchila (2000), the benefits of running e-banking are numerous – some of these benefits for banks, like (improved market appearance, minimized costs of doing business, timely reaction to changes in the market, extensive market penetration and promotion and selling of current products), and some of it for customers, like (minimized costs of opening and using bank services, maximized saving of time and ease in using 24 hours a day, timely transaction completion and improved funds management).

2.3 Influencing Factors on the Internet Banking Services

Convenience, cost effective and popular is a major advantage of internet banking. In effect, consumers can perform banking transactions 24 hours a-day, seven-days a week. Internet banking has its advantages; primarily customers can do most of their bank transaction online; almost all of the transactions are possible. It was followed by studies on technology kept developing and this has enabled banks in making online transaction services safe and more economical

Many of these studies have been done in developed western countries, the Middle East, Australia and Asia. Despite considerable diffusion and adoption of consumer Internet banking in many countries, banks still seek further market expansion. Ignoring technology is no longer an option for any organization and technology has to be fully exploited to achieve efficiency and survival. An essential role is played in automating business processes, finding networking business and providing information for management decision-making and planning.

According to the global survey conducted by Booz Allen and Hamilton (1997), the specialized establishment of Internet banking requires only US\$ 1 – 2 millions, which is said to be lower than traditional branch banking setup. Therefore, internet banking services could give cheaper and more profitable to the bank. The greatest benefit of internet banking is fast and efficient ways of banking rather than traditional fixed services. In simple terms internet banking seems to be the combination of banking and information technology.

2.3.1 Ease of Use

Perceived ease of use refers to the degree to which a person believes that using a particular system would be effortless (Davis, 1989). In the mobile setting, perceived ease of use corresponds to the degree to which individuals relate freedom of difficulty with the use of mobile technology and services in daily usage (Knutsen et al., 2005). Some mobile devices could be complex or tedious to use, for instance Taylor and Todd (1995) mentioned that there are facts in the media that says using certain services on a mobile phone can be tiresome, especially when browsing internet-like interfaces on mobile devices. Fang et al., (2005) discovered that the nature of an innovation or a task or any service related to it may persuade its perceived ease of use. For instance, perceived ease of use affects the intended use of innovation only when it

provides intrinsic motivation, but not when it provides extrinsic rewards to its users (Gefen and Straub, 2000). Several previous studies have shown that there is a positive relationship between perceived ease of use and usage intention.

Luarn and Lin (2005) stated that there is a positive causality between perceived ease of use and the usage intention. Guriting and Ndubisi (2006) mentioned that perceived ease of use had a significant positive effect of behavioral intention to use online banking in Bangladesh. Ramayah et al., (2003) found that perceived ease of use has a major impact in the development of initial willingness to use internet banking. Davis et al., (1989) stated that perceived ease of use is an ancestor of perceived usefulness. Perceived ease of use is assumed to act as a predictor of perceived usefulness. In addition, both perceived usefulness and perceived ease of use predict attitude towards using a system (Yan et al., 2009). A system which is more convenient to use will facilitate more system use and accomplishment of tasks, rather than systems that are hard to use (Venkatesh and Morris, 2000). Perceived ease of use is also hypothesized to influence perceived usefulness and attitude towards using the innovation (Davis, 1989).

2.3.2 Convenient

Davis (1989) defined perceived usefulness as —the degree to which a person believes that using a particular system would enhance his or her job performance (Ibid, p.320). Previous studies have shown that perceived usefulness is an important predecessor to the intention to adopt and use a technology (Davis et al., 1989; Venkatesh, 1999, 2000; Venkatesh & Davis, 2000). Potential adopters evaluate the consequences of their adoption activities based on the enduring desirability of usefulness obtained from the particular innovation (Chau, 1996; Venkatesh & Davis, 2000). In addition, perceived usefulness is also known as performance expectancy (Venkatesh, 2003; Morris, 2003; Davis, 2003), this was based on the expectancy theory that mocks-up the function of belief in decision making (Porter and Lawler, 1968; Robey, 1979; Vroom, 1964).

To explain that, an innovation is perceived to be of high effectiveness when a particular adopter believes that there is a direct relationship between use, on one hand, and performance, productivity, effectiveness and satisfaction, on the other (Lu and Yu, 2003). Although many mobile services are leisure related, services such as new, stock

changes or banking can also stimulate how a user performs a task. In addition, — characteristics that are inherent to mobile services, such as their personalized and ubiquitous nature, their portability, and their context awareness potential are likely to contribute to perceived usefulness of mobile services in ways that have not seen before (Rao and Troshani, 2007).

Aderonke and Charles (2010) mentioned that —people tend to use an application to the extent they believe it will aid their performance. Amin et al., (2008) stated that perceived usefulness is strongly correlated with productivity. It suggests that using computer in the workplace would improve job performance, increase user's productivity, enhance job effectiveness and be valuable in the job. Cheong and Park (2005) found that there exists a positive causality between perceived usefulness and online purchase intentions. Lurn and Lin (2005) also stated that perceived usefulness has significant effect in the development of initial readiness to use mobile banking. These studies prove the significant effect of perceived usefulness in individual reactions to information technology

2.3.3 Service Awareness

The customers perceive on service quality in relation to the interaction of availing the service delivery and the quality of service outcomes in the case of internet banks (Hernandez and Mazzon, 2007). Internet banking services are free. The concept of electronic banking has been defined in many ways (e.g. Daniel, 1999). According to Karjaluo (2002) electronic banking is a construct that consists of several distribution channels. Daniel (1999) defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. Mattila (2001) concedes that customer satisfaction is a key to success in Internet banking and banks will use different media to customize products and services to fit customers' specific needs in the future. (Journal of internet banking and commerce)

2.3.4 Save Costs

The internet banking services are highly cheap for the banking companies (Drennan, Sullivan & Previte, 2006). The internet banking provides solution for

several high cost conventional banking services (Ozdemir and Trott, 2009). The expenditure banks have to incur to develop and maintain online banking tools are much cheaper; hence this will help banks to give better service at cheaper costs (Kotter and Keller, 2006). Online banking can also help to streamline fundamental procedures in your not-for-profit organisation, including: paying bills, paying wages, managing invoices, transferring money between accounts, researching interest rates and special products, Interacting with the tax office for payroll tax and GST.

The benefits of online transactions differ from one provider to another, and may include no monthly account service fees, no minimum transfer amounts (some maximum transfer amounts do apply), no requirements for minimum balance and no fixed investment terms, with the convenience of instant access to your funds through telephone and internet banking, 24 hours a day, seven days a week. Using the internet can also save the time someone would normally spend physically going to a bank and standing in a queue

2.3.5 Trust and Security

Flavian, Guinalin & Torres (2006) modified TAM to suit Internet banking absorption by adding security and trust to the ease of use and perceived usefulness. Security and trust in the Internet are two important issues that need to be resolved by all countries moving towards information society. Technologies that reduce the chances of online transactions being intercepted by third parties and the main data system being cracked by hackers. However, the efforts seem not successful in mitigating the security concerns. In addition to the initiatives from the banks, security needs to be regulated at the national and international levels by effective legal framework which may be established by relevant authorities and bodies. Like other countries, Romania also has legal framework which is used to address the issue of online security.

To influence e-banking adoption, security and trust are found to be the common factors which are present in most of these studies (Kim and Prabhakar, 2000; GrabnerKrauter and Faullant, 2008). This is not surprising given the fact that e-banking is delivered online, which basically is exposed to all the risk associated with online activities (Md, Nor and Pearson, 2007). Trust has been suggested to be one of

the major obstacles that hinder individuals from adopting online related technology (Gefen et al., 2003; Md Nor and Pearson, 2007).

The activities of hackers and the widespread phishing websites, for instance, have projected the perceived unsafe nature of the Internet and these have been frequently highlighted in the mass media and also on the banks websites. These indirectly have affected consumers' trust level of the online technology and services, including e-banking. Trust has been found to influence individuals' acceptance of a technology and loyalty. Hernández-Ortega (2011) found that trust can improve the technologies' acceptance in the early stages of implementation.

2.4. Customer Perception of Internet Banking

This study will be emphasized on the following five dimension to investigate customers' perception of internet banking on its.

The internet services such as information processing and communication of services can be performed efficiently through the internet rather than through traditional banking services (Calisir and Gumussoy, 2008). Customers can save their cost and time by availing internet services (Kassim & Abdulla, 2006). This is because they can perform the internet banking transactions directly from their offices and homes rather than by visiting the banks physically. The increasing efficiency and ease of delivering internet banking services can lead to creating loyal customers (Calisir and Gumussoy, 2008).

The influence of internet services is on the effective delivery of banking services (Woldie, Hinson, Iddrisu and Boateng, 2008). They discovered several dimensions of service quality of internet banking such as efficiency, convenience, quality, accuracy and accessibility. The internet banking is highly accessible therefore, leads to increasing customer base for the organizations (Flavian, Guinaliu and Torre, 2006). This is because internet banking can be accessed by all, anywhere and anytime. It is less costly and eliminate the several intermediaries which are in traditional banking system.

Banks can deliver customer services and other core services such as remittances and fund transfer through the internet rather than by physically investing the bank premises (Cheung & Lee, 2006). In the late 1980s, the notion 'Online'

become popular. The concept of 'Home banking' is alternatively used to illustrate the use of keypad for availing the internet banking services. Chang & Harmid (2010) defined internet banking transactions electronically without visiting the bank physically or without visiting brick-and-mortar bank.

Internet banking offers also new volume to customers. With the help of the internet banking is no longer limited to time or geography. The greatest benefit of internet banking is that it is cheap or even free to customers (Sara Naimi Baraghani, 2007). Related advantage refers to the degree to which an innovation provides benefits, incorporate factors such as economical benefits, image, enhancement, convenience and satisfaction (Rogers, 1983). They also revealed that customers perceive internet banking services more convenient, less expensive and easy to use. To avail the convenience of internet banking, the customers show their highest intentions to shift from traditional banking to internet banking services.

From the viewpoint of the consumers, the decision to use Internet banking is frequently motivated by convenience and efficiency (Bruno, 2003). Online account holders do not have to make a trip to the local branch, queue, or be constrained by the bank's opening hours (Lassar et al., 2005). Furthermore, many banks try to lure customers into using Internet banking by offering lower fees, or better rates on deposits and loans. Provision of such incentives is induced by the increasing competition in the market and enables the cost savings to be passed onto the consumer.

Many customers may be attracted to certain appealing features of online banking, such as better access to information, spot payment transactions or a sense of complete control over one's account (Black et al., 2001; Karjaluoto, 2002). Despite all the aforementioned merits of Internet banking, certain barriers to adopting it exist (Black et al., 2002; Karjaluoto et al., 2002; Lee et al., 2005; Gan et al., 2006). The income level itself, as well as other demographic characteristics, have been shown to be pertinent predictors of the adoption status in prior studies (Karjaluoto et al., 2002; Im et al., 2003; Flavián et al., 2006).

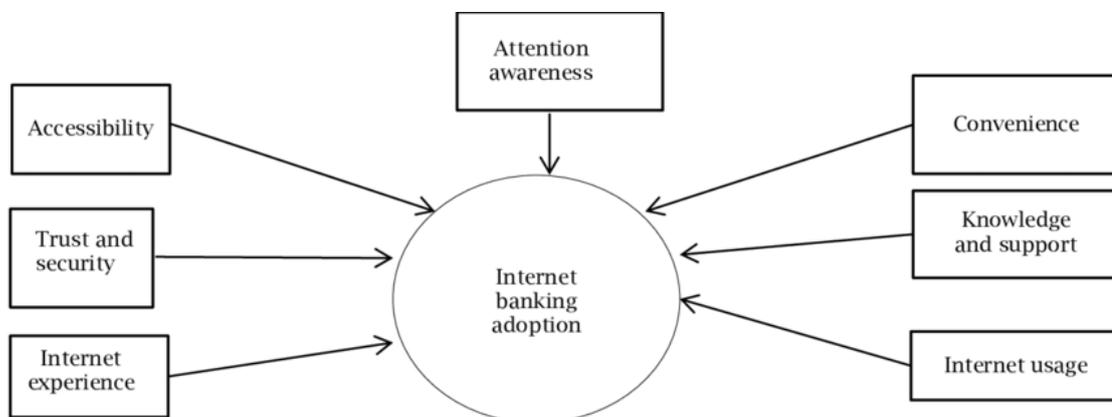
Certain individuals may also be averse to the idea of banking online due to their low educational attainment or unavailability of adequate information about this distribution channel (Nielsen, 2002; Im et al., 2003; Pikkarainen et al., 2004; Lassar et

al., 2005; Lee et al., 2005; Gerrard et al., 2006). Finally, security concerns related to transacting on the Internet can hamper the enthusiasm of many potential users (Sathye, 1999; White and Nteli, 2004; Gerrard et al., 2006).

Customer satisfaction is a strong determinant of organizational decision-making. Satisfied customers become basis of competitive advantage. Organization should adjust its offering according to customers' requirements. It would increase sales and revenues. Banks are backbone of an economy. Banking sector is one of the worlds' most vibrant banking sectors and has observed several structural changes in recent years. Information

2.5 Conceptual Framework of this Study

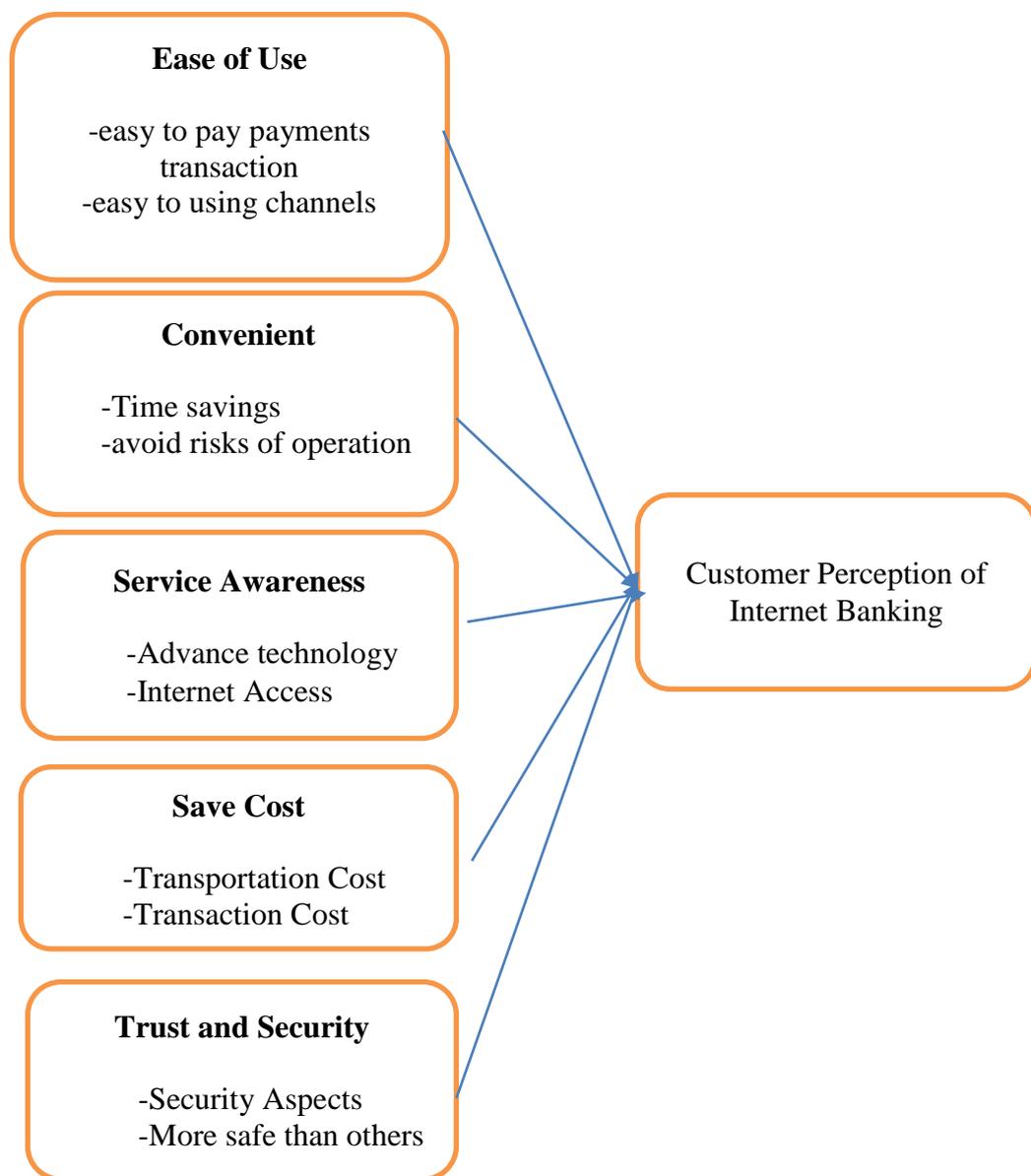
Hosein (2009) developed a generic framework on the key factors in Internet banking adoption. This framework contains aspects of Technology Acceptance Model (TAM) but it is now broken down and tailored to Internet banking adoption. Internet experience, Internet usage, knowledge and support align well with the ease of use aspect in TAM. Convenience also accompanies the perceived usefulness. Attention awareness, which means being told of the availability of the service and the ability to access it, is also important for one to actually adopt Internet banking. Six main success factors for the adoption of Internet banking services: perceived ease of use; perceived usefulness, compatibility (similarity to what one is already doing); trialability (having a chance to test before use); trust (being sure that it is safe) and awareness (being informed of its existence) (Sohail & Shanmughan, 2003; Yu & Lo, 2007; Yiu, Grant & Edgar, 2007).



Source: Consumer adoption of Internet banking, theoretical framework (Hosein, 2009)

Modified the original TAM by adding Perceived Costs (Polasik and Piotr, 2009) which was defined. The extend conceptual frameworks provide a comprehensive way to understand how the internet banking using customers' perceived of his or her intention to use banking services of Internet. (Please see above Figure)

Figure 2.1 Conceptual Framework for this study



Source: Adapted by Hosein, 2009 & Polasik and Piotr, 2009

In order to build a conceptual framework, various factors have been taken into consideration as potential variables. After extensive studies, five variables have been identified as possible key factors of Internet Banking adoption. Perceived convenience is seen as a determinant of consumer's intention to adopt internet banking. Another predicted determinant is perceived ease of use. Both perceived usefulness and perceived ease of use were adopted from the TAM model. Another estimated determinant of consumers' perception to use internet banking is perceived service awareness.

Additionally, subjective norm is also seen as a possible determinant that would persuade save cost. The Internet can currently be considered as the cheapest distribution channel for standardized bank operations, such as account services or transfer of funds. Similarly, based on a sample of Polish banks, Polasik (2006) estimated that the cost of Internet and in-branch bank transfers charges. Cost-effectiveness aside, provision of web-based banking services gives access to customers residing outside the branch network and creates opportunities for effective cross-selling.

Finally, the last possible determinant is users' trust and security, which might be influencing the customers' perception of internet banking. Gopalkrishnan et al. (2003) are of the opinion that that internet banking gives banks the opportunity to offer innovative products and secure new and different customers. According to Callaway (2011), through internet banking, a bank can expand its market reach.

CHAPTER III

INTERNET BANKING SERVICES OF SELECTED PRIVATE BANKS

Myanmar's Banking Sector has a lot of room for improvement and potentials. According to a 2013 report by the International Finance Corporation (IFC), the percentage of the population with access to formal banking system is less than 5%. Most importantly, the critical issue obstructing the development of online banking in Myanmar is its inadequate infrastructure especially in telecommunications and electricity. The internet connection has been less than satisfactory. Online banking also requires stable electricity supply to operate effectively. In order for online banking to be successfully, perennial infrastructure issues such as insufficient internet bandwidth, congested mobile networks and frequent power outages need to be addressed.

Banking experts believe that online banking will eventually assume an important role in the development and evolution of Businesses in Myanmar. As it develops, online banking will become a medium of exchange of funds, provide trade parties with opportunities to use debit or credit transactions and help introduce e-commerce to businesses in Myanmar. In order to facilitate inter-bank fund transfer, Myanmar Payment Union (MPU), known as National Payment Network and Sitch, was established jointly by the Central Bank of Myanmar and (19) private banks, with the technical assistant from Myanmar Information Technology (MIT). Now, in addition to the local banks, global payment networks such as VISA, Master Card, JCP and CUP are actively competing in the banking sector in Myanmar.

Myanmar has always been a cash economy, so most of the bank users do not recognize the benefits and the cost and time saved by switching to online banking. Although there are quite a few customers who already have experience with online banking abroad, the overall customer attitude needs to change before online banking can become truly popular. Myanmar's rapidly growing financial industry will have to contend with many challenges in the potential, economic, social, technological, environmental and legal (PESTEL) environments. With adequate support, the imminent development and implementation of game-changing technological advances are on Myanmar's horizon.

3.1 The Historical background of Myanmar Banking Sector

Myanmar's banking sector has atrophied over the years and suffered many ailments. The underdeveloped state of the banking sector presents an opportunity to put in place the right framework and initiate the necessary adjustments before sheer size makes this kind of rectification more complicated.

Changes in regulation to foster the development of the interbank market are very recent and little impact can be observed in terms of market participants' behavior. A new Myanmar Financial Institutions Law allows banks to provide unsecured loans and leaved it to the Central Bank of Myanmar (CBM).

Since 2010, reform efforts by the Myanmar Government and the opening of the economy have triggered economic growth and high hopes for millions of low income households. The banking sector is one focus of the new governments' economic reforms. Although private banks today are more prevalent, state-owned banks still play an important role in Myanmar. Today, there are 27 domestic private banks operating in Myanmar, which own about 67% of total bank assets.

Private banks are the drivers for innovation and growth in Myanmar's banking sector. However, asset concentration is high and most private banks are struggling to meet the new regulatory requirements. Today there are 13 foreign licensed banks and 49 representative offices of foreign banks in Myanmar. The New Myanmar Companies Act announced in August 2018 allows foreign banks up to 35% stake in local banks, potentially facilitating knowledge transfer and capitalization of the domestic banking sector.

Due to the historically restrictive lending regulations of the Central Bank of Myanmar, there is a culture of overdraft lending and conservative practice using almost exclusively land and building for loan collateral. As the Central Bank realized the growing risks it recently obligated banks to convert over-draft to loan. Banks are also encouraged to develop sound risk management systems and new loan products assessing client credit worthiness through cash-flow and business cycle analysis.

Myanmar was first introduced to offline debit cards in 1996, but the expansion of debit cards and electronic payment services came to an abrupt end due to the 2003 banking crisis. For many years the Myanmar Payment Union had a monopoly on issuing debit and credit cards, but in January 2017 the government removed restrictions on international payment companies and allowed banks to issue co-branded cards.

In recent years, mobile financial services have become an important means for financial inclusions in Myanmar. Currently, there are five major bank-led mobile banking services in Myanmar. Some banks also have their own branded e-banking or i-banking platforms. In addition, there are three licensed Mobile Financial services providers in Myanmar.

The most formative laws for the contemporary banking sector of Myanmar are the Central Bank of Myanmar Law 2013, the financial institution law 2016, the Foreign Exchange Management Law 2015 and the Anti-Money Laundering Law 2014. Domestic and international remittances play a crucial role for Myanmar's economy and poverty alleviation Myanmar banks and specialized remittance service providers offer a wide range of money transfer services.

Recently, there have been significant improvements in domestic remittance services by local banks through their e-banking and mobile payment platforms. However, banks face fierce competition from Mobile Financial Service Providers which are only allowed to provide domestic remittance services to the public and form informal remittance channels called Hundes which still play a large role.

Backed by the banks' strong demand as well as by political and economic liberalization, the supporting infrastructure of Myanmar banks is developing at a fast pace. This includes institutions like the Myanmar Banks Associations the Myanmar Payment Union and the emerging Myanmar Credit Bureau Limited, as well as numerous bank training and education providers.

Myanmar joined ASEAN in 1997. Financial sector integration under the ASEAN Banking Integration Framework is scheduled to begin in 2020. In preparation, it is expected that the Central Bank of Myanmar (CBM) will gradually

adjust financial sector regulations. For Myanmar's local banks, this will herald a new era of tougher competition with foreign banks and probably a painful consolidation process, but at the same time, potential for improved access to capital, banking infrastructure and know-how. (GIZ report on Myanmar's Banking Sector in Transition)

3.2 Internet Banking services in Myanmar

The internet has the potential to change the very nature of banking and the growth potential for online consumer banking is enormous. The development of electronic banking has raised both technical and regulatory concerns. Increased interest in online payment has pushed the development of online payment systems. Online transaction also create certain security risks, and an increased potential for fraud. The internet transactions are a large number of different financial transactions, like e.g. customer payments, securities transactions applications for loans or insurance acquisitions. Due to the structure and the intention of the Internet to be an open network high security risks are involved with financial transactions.

New challenging era of innovative and competitive environment for banking business inevitably drives connectional ways of banking services to electronic ways of banking service with advanced ICT because it is the only effective and efficient approach not only to serve financial services to all of banked and unbanked people across the country but also to deal with international services of banking business and financial institutions which is very important for the economic growth and development of the country. New financial laws such as the Central Bank of Myanmar Law (CBML) and the Financial Institutions.

The Myanmar banking sector is developing fast and requires an increasing number of qualified staff to ensure its long-term viability. As reported by the international consultancy Roland Berger estimates that 120,000 new jobs will be created in the sector until 2025. This figure projects a huge increase in demand for education and training of bank employees. In addition, as banks begin to offer more sophisticated products and services, the range of skills needed will diversify and international best practices will become more and more relevant.

The government acknowledges the need for improvements in education to meet the demands of the fast-growing economy. Together with international partners, including GIZ, it developed the National Education Strategic Plan 2016-2021 and initiated a number of educational reforms. Public spending on education has increased steadily over the past year.

While these efforts will hopefully pay off in the longer term, banks already struggle to fill vacancies with adequately qualified employees. A market research conducted by the Myanmar Survey Research (MSR) on behalf of the GIZ finds that both individuals and banks name very generic skills, like English and IT knowledge, when asked about skills most needed in the banking sector. This indicates a rather low prevailing level of qualifications. Interestingly, banks consider leadership skills as the most important qualification for the current situation and the future.

As for technical skills, respondents emphasize the importance of risk management and financial analysis in the context of lending, including SME lending. Other technical skills considered important by banks and individuals in the study include accounting and financial reporting. Nowadays, most of the banks in Myanmar continuously endeavor to keep pace for the lost time of modern world of banking business and to contribute the growth of nation's economy by keeping track on banking services through electronic channels with the help of Information and Communication Technology to grasp the major role in economic sector.

3.3 Development of Internet-Banking Services in Myanmar

Myanmar's banking sector has atrophied over the years and suffered many ailments. Despite a recent resurgence, it remains small and unable to provide the required financing to support fast paced economic growth. Fixing these shortcomings is a daunting task considering the current inefficiencies. That said the underdeveloped state of the banking sector presents an opportunity to put in place the right framework and initiate the necessary adjustments before sheer size makes this kind of rectification more complicated.

Based on market needs and current shortcomings, far-reaching reforms under the stewardship of the Central Bank of Myanmar (CBM) coupled with significant and

steady efforts from all stakeholders to implement change are a must. Under the 2013 Central Bank of Myanmar Law and the 2016 Financial Institution Law (FIL), Myanmar established the independence of the Central Bank of Myanmar (CBM) as the banking-sector regulator, and has put into place a framework to meet international best practices in banking supervision, including those found in the Basel Core Principles. For semi-private and privately owned banks, the CBM now acts as the sole supervisory authority for licensing, regulating and enforcing compliance in the banking sector of mandate and policy direction though, the four state-owned banks still fall under the purview of the Ministry of Planning and Finance.

Recent reforms have advanced financial-sector development in Myanmar, but aspects of the regulatory environment still do not conform to international best practices. This is particularly the case in regards to a number of administrative controls on bank lending. This section discusses those regulatory constraints and examines three other priorities for banking-sector development in Myanmar. Improving the payment infrastructure developing the money and interbank markets, and determining the right pace for the further expansion of foreign banks.

Another challenge is the security of online financial transaction. Online banking, including internet banking and mobile banking, allows bank users to manage their accounts on computers, tablets, or mobile phones via the internet. With the support of today's IT Technology, it provides users the option of bypassing the time-consuming, paper-based aspects of traditional banking. Through online banking, m users can perform basic banking functions such as balance inquiry, fund transfer, bill payment, ect., without having to visit the banks in person. By allowing customer to manage their funds more quickly and efficiently at any place and any time, it provides a much more convenient way for customers to deal with banks. To conclude, although online banking is still in its fetal stage, it has tremendous potential to become the preferred way of banking.

3.4 Profile and Internet Banking Services of Selected Private Banks

These sections provide the profile information of AYA Bank and KBZ Bank.

3.4.1 Background of AYA Bank

AYA Bank was licensed by the Central Bank of Myanmar on 2 July 2010 and relicensed under the Financial Institutions Law 2016 as a full service universal bank. The bank has grown rapidly over the past seven years to become the second largest in the country, with [234] branches, [1.4m customer], Kyat [4.7] trillion customer deposits and [150 billion] Shareholders' Equity as at the end of September 2017. Top 100 depositors represent about 6% of total deposits, underlining the general public's confidence in the bank.

As a member of the UN Global Compact (UNGC), AYA Bank is committed to implement global standards in Corporate Governance and compliance best practices in its management and operations. Consequently, since 2014-15, AYA Bank is the only bank in Myanmar to be IFRS compliant and the only one audited under International Standards of Auditing (ISA) by a big-four international firm. The bank has also attracted and retained talented staff with both domestic and international exposure and has invested significantly in Learning & Development as a way to ensure long-term sustainable growth for the communities it serves.

For the years ahead, the bank will continue to extend its branch network throughout Myanmar while concurrently investing in state-of-the-art Core Banking, Digital Banking and Fintech platforms. AYA Bank aims to provide uniform Omni-channel interface offering innovative products and services across all customer segments. AYA Bank will also continue to focus on deepening relationships with customers, providing best-in-class customer service, and leveraging technology as the enabler to rapidly expand the customer base. The bank also aims to further strengthen its governance, risk and compliance structure as a measure to ensure balance and sustain growth.

3.4.2 AYA Internet Banking Services

AYA Internet Banking is a web-enabled electronic delivery channel whereby customers of the bank are able to perform real time banking transactions via PCs, Laptops, Smartphone or other devices with access to the internet. The following are the benefit of using AYA Internet banking services: convenience which means access accounts and conduct transactions at any time and place of customers' convenience, safe which secured channels used so that customer's transaction and data are fully protected from loss or theft (more information on security in the following section below), save time and cost which customers do not need to got to the bank's premise to conduct transactions, saving time and money and efficient which transactions are done in real-time.

The eligible customers to apply for internet banking of AYA banking are individual, joint accounts, private limited company and non-profit organization. There are requirements to use AYA iBanking which are a saving or current account with AYA Bank, internet access and browsers, PCs, Laptops, smart phone or any device with ability to access internet, registration for iBanking service with AYA Bank whereby customers will be given a username and password for logging into iBanking and a security token for generating aOne Time Password when performing transaction.

Although AYA Bank hasn't mentioned a lot of information about internet banking in their website or brochure, most of the AYA bank users have internet banking account. AYA provides internet banking account to customer when new customer come to branch to open the account. When customers are not clear about internet banking services or need more information, AYA staffs explain in person or via phone call.

3.4.3 Background of KBZ Bank

KBZ stands for Kanbawza, the traditional name for the Shan State in Myanmar. KBZ Bank is a part of the KBZ Group of Companies founded by Chairman Mr. Aung Ko Win. Along with banking, KBZ Group operates successfully across various businesses such as mining, aviation, insurance, agriculture, infrastructure, manufacturing, healthcare, and hospitality.

Kanbawza (KBZ) Bank was established on 1st of July 1994 with a single branch in Taunggyi, Southern Shan State. The current management took over Kanbawza in November 1999 and later it grows and develops as the largest privately owned commercial bank in Myanmar with the most extensive retail banking network.

KBZ Bank has been rapidly building up its wholesale and international banking services providing a wide range of financial services to facilitate the needs of large local corporates (LLCs) and international clients including multinational corporations. KBZ Bank provides corporate banking coverage to MNCs and LLCs in assisting them with Treasury, Cash Management, Trade Finance, Corporate Financing, International Remittance and related services.

KBZ Bank is also involved in supporting local communities and financing to small and medium enterprises in Myanmar. KBZ bank was also well recognized for its efforts in CSR and philanthropy. It earned several awards including “Highest Tax Payer Award” by Myanmar Government. Recently, it achieved the “Best Corporate Governance Award” awarded by World Finance Magazine in 2013.

3.4.4 KBZ Internet Banking Services

There are two types of internet banking in KBZ Bank, personal internet banking and corporate internet banking. Corporate internet banking is for company.

The bank customer can get the benefit by using internet banking at KBZ Bank. Those benefits are service available at all time (24/7), save time and cost of travelling, instant settlement, payment (bulk payment) and transfer, managing of customers' money would be done easily from the web or mobile application, able to receive instant notification for any action customers have done, able to get account statements, able to use everywhere, easy reconciliation and so on.

The list of available personal internet banking services in KBZ Bank; Check account balance, Download (Core banking accounts) bank statements, Cheque-book request, Own account transfer, Internal account transfer, Recognize updated foreign exchange rate, Term deposit details, Loan settlement. KBZ corporate internet banking is a safe and convenient digital-banking. Service from Myanmar's leading financial

provider. That is available to corporate customers for maximum business efficiency. There is no Registration Fees for Corporate internet banking. The available functions and features of the Internet Banking services for Corporate Customers are balance Enquires which can check account balance, transaction history and account details 24 hours, 7 days a week available for both MMK and USD accounts, Fund Transfer which can transfer funds between own accounts at Oracle branch with 17 digits of account number, e-Banking statement which can download e-statements in csv, pdf and xls format by daily, weekly, monthly, yearly or by specifying dedicated period according to business requirements, Cheque Book Request which can request cheque book online, payroll (Bulk Payments) which is able to make bulk payments to a number of beneficiaries such as salary payment to employees' ATM accounts or Saving accounts within KBZ accounts at Oracle branch with 17 digits of account number, notifications which is receiving SMS and email alerts relating all online banking activities, standing order payment which is able to create beneficiary templates for regular payments such as daily, weekly, monthly, etc. The materials with Booklet cover are for the customers; User Manual, Terms and Conditions

There are a few high light points of Terms and Conditions of KBZ Internet Banking. The most important point is bulk Upload File Format explained in User Manual. If Employee's Account Number is entered wrongly by makers, it is not the liability of KBZ. The second point is Standard Grace Period is 7 days. A grace period is an allocated timeframe set up by the KBZ bank Corporate i-banking system for the checkers to authorize the transactions created by makers. If there are two checkers, the company has to confirm whether the role of checker to authorize "sequential" or " non-sequential" The third points is that the company must report to KBZ branch within 48 hours (exclude holidays) in case of any authorize maker and checker changes for security reasons. If company is absent for reporting to KBZ within that timeframe, any fraudulent activities happened for any maker/ checker changes are responsible by the company. Then, the company must provide the new Board of Directors (BOD) Resolution to the branch where the Account has been registered for assigning the new maker and checker.

There are standard charges for using KBZ Bank Internet banking services; NO Registration Fee, Own Account Transfer " FREE" with Unlimited Amount, Internal

Account Transfer “0.03% (minimum 500)” with Unlimited Amount, Bulk Payment
(200 MMK per transaction).

CHAPTER IV

ANALYSIS OF CUSTOMER PERCEPTION ON INTERNET BANKING IN MYANMAR

This chapter analyses the perceptions of customers on Internet Banking services provided by selected private banks based on their response to questions which designed to explore their perception. Convenience sampling method are used for this study. These 120 customers who are users of selected local private banks and are more than 10% of market shares of Internet banking in Myanmar. These are KBZ Bank and AYA Bank which are interviewed by using the structured questionnaires attached in Appendix.

4.1 Research Design

This study investigates the customer perception towards the internet banking services and to identify the factor effecting the usage of internet banking in Myanmar. To support this study, the required data were collected through consumers sample survey. As the survey instrument, a structured questionnaires was used. The questionnaires instrument includes three sections. Section I is related with the questions on the customer's demographic characteristics such as gender, age, marital status, professional level. The second section included the customer's thoughts and habits about internet banking. In addition, only one question is used for detecting the reasons of customer about using the internet banking in second section. The last section is concerned with the main effective factors of internet banking such as ease of use, convenience, service awareness, save cost and trust and security. This section made up of five point Likert scale model from strongly disagree to strongly agree.(Ranking from "Strongly disagree = SD", "Disagree = D", "Neutral = N", "Agree = A" and " Strongly Agree = SA"). Thirty six questions are asked in the survey in order to collect data about the bank customers.

As a convenience sampling method, the convenience sampling was employed in this study. The convenience sampling technique is used in this research paper to approach the respondent and collect the data on time. In the process of sampling, 120

questionnaires are distributed by hand and email to selected customers and enough time given to respondents to fill the questionnaire to reduce sampling error.

After receiving the raw data from 120 respondents, SPSS version has been used for the data analysis. Then reliability analysis, regression analysis, frequency and descriptive analysis were conducted in SPSS computer software. Finally, these analysis are discussed in term of customer satisfaction towards the internet banking and interaction with bank managers in Myanmar.

4.2 Demographic Characteristics of the Respondents

First and foremost, it is important to study the demographic characteristic such as gender, age, marital status, education status of the bank customers. This section data of demographic information obtained from the questionnaires collected are interpreted and summarized in frequency distribution and percentage distribution.

4.2.1 Number of Respondent by Gender

The respondents are not only males, but also females. Tables (4.1) show the gender of respondents.

Table (4.1) Number of Respondents by Gender

Gender	Number of Respondents	Percent
Male	48	40.0
Female	72	60.0
Total	120	100.0

Source: Survey Results 2019

As shown in Table 4.1, the sample consists of 48 (40%) males and 72 (60%) females. According to the survey result it is clear that female respondents are more interested to use internet banking than male.

4.2.2 Number of Respondents by Age Group

Age distribution of the respondents have effect on consumer's satisfaction to use internet banking services. Age of respondents are divided by four categories. They are between 19 and 30 years, between 31 and 40 years, between 41 and 50,

between 51 and 60 and above. Table (4.2) respectively show the frequency distribution of age in year.

Table (4.2) Number of Respondents by Age Group

Age (in year)	Number of Respondents	Percent
19-30	31	25.8
31-40	76	63.3
41-50	11	9.2
51-60	2	1.7
Total	120	100.0

Source : Survey Results, 2019

According to the table (4.2), 31 respondents fall in the age group between 19 and 30 years, followed by 76 respondents fall between 31 and 40 years, 11 respondents fall between 41 and 50, 2 respondents fall between 51 and 60, respectively. In term of percentage share, the age group 31 and 40 has highest percentage share with 63.3% and the age group 51 and 60 has lowest percentage share with 1.7%.

One would observe from the table that most of the respondents were in age bracket 31 – 40 years. Therefore, about 63% of respondents prefer to use internet banking service that is the highest percentage who has age limited between 31 – 40 years are more aware to use internet banking service.

4.2.3 Number of Respondents by Marital Status

Marital Status is divided into two categories; Married and Single. Table (4.3) shows the frequency and the pie chart of the respondent's marital status, respectively.

Table (4.3) Number of Respondents by Marital Status

Marital Status	Number of Respondents	Percent
Single	42	35.0
Married	78	65.0

Source: Survey Results, 2019

As a results of table (4.3), about 65% of respondents were got married, and about 35% were single. Therefore, the majority of the respondents are married

4.2.4 Number of Respondents by Educational Level

Although, there are three categories for educational status in questionnaire: under graduate, graduate, and post graduate. These are expressed in Table (4.4)

Table (4.4) Number of Respondents by Education

Education Level	Number of Respondents	Percent
Under graduate	20	16.7
Graduate	89	74.2
Post graduate	11	9.2
Total	120	100.0

Source: Survey Results, 2019

According to Table (4.4), since the study is conducted with 120 respondents, between them 72.2% respondents are Graduate in university, 9.2% of the respondents got post graduate and remaining 16.7% of the respondents are under graduate. From all of the respondents maximum number of respondents (72.2%) is bachelor degree.

4.2.5 Number of Respondents by Professional Level

Basically the professional statuses are classified by three types which are business, employees and students. In this study, the professional statuses of sample customers are found in Table (4.5)

Table (4.5) Number of Respondents by Profession

Profession Level	Frequency	Percent
Business	26	21.7
Employees	73	60.8
Students	21	17.5
Total	120	100.0

Source: Survey Results, 2019

From Table (4.5), 60.8 percent of the sampled customers are employees, 21.7 percent of the sampled customers are business, 17.5 percent are students. Therefore, the majority of customer is employees and private business sector organizations.

4.3 Analysis on Internet Banking Service Usage

In this section, there will be investigated internet banking user's thoughts and habits using internet banking service. This section will present the most commonly used banking channel, usage of internet banking, most commonly use feature of internet banking and reasons using and not using internet banking services in selected banks.

4.3.1 Mostly Used Bank for Internet Banking by Customer

When asked to respondents about the banking institution they are working with. Respondents could choose only one bank which they really used most of the banking services for this question. There are top 2 banks namely KBZ and AYA are selected in this study. Results are shown in the following table (4.6).

Table (4.6) Mostly Used Bank for Internet Banking by Customers

Internet Banking Services	Number of Respondents	Percent
KBZ	26	21.6
AYA	38	31.7
Both	56	46.7
Total	120	100.0

Source: Survey Results, 2019

According to results, both AYA bank & KBZ bank appeared to be the mostly use internet banking in the Myanmar banking sector with 46% of the respondents.

Secondly, AYA bank was commonly used internet banking service with 32% and third for use of internet banking at KBZ bank with 22%.

The Internet banking users have both bank accounts open with AYA & KBZ. There are more AYA Internet banking users rather than KBZ bank.

4.3.2 Frequency of the Usage of Internet Banking

Respondents' frequencies of the usage of internet banking are considered in three categories, daily, weekly and monthly. When the selected respondents are asked about the frequency of the usage of internet banking results are shown in the following table (4.7).

Table (4.7) Frequency of the Usage of Internet Banking

Using Internet Banking	Frequency	Percent
Daily	55	45.8
Weekly	55	45.8
Monthly	10	8.3
Total	120	100.0

Source: Survey Results 2019

According to the table (4.7), 8.3% of respondents use the internet banking monthly, 45.8 % of each respondents use the internet weekly and daily using the internet banking.

4.3.3 Most Commonly Used Service of Internet Banking

There are many services of internet banking. In this study, according to respondents answer, these services are divided by four categories. They are pay the bill, check the account and balance, Fund transfer and mobile top-up.

Table (4.8) Most Commonly Used Feature of Internet Banking

Mostly Using Service of Internet Banking	Frequency	Percent
Pay bills	36	30.0
Check accounts and balance	33	27.5
Fund transfer	27	22.5
Mobile phone top-up	24	20.0
Total	120	100.0

Source: Survey Results 2019

4.3.4 Reasons for Using Internet Banking

Table (4.9) are shows that 120 respondents are using the internet banking services and they answered reason to use. Respondents were allowed to choose only one option for this question.

Table (4.9) Reasons for using Internet Banking

Main Reason to Use Internet Banking	Number of Respondents	Percent
Save Time	32	26.7
Transactions in more Cheap	11	9.2
24 hours availability	48	40.0
Save costs	29	24.2
Total	120	100.0

Source: Survey Results 2019

According to the results, their reasons for using the internet banking services respectively; 40% be 24 hours availability, 26.7% be save time, 24.2% be save cost and finally 9.1% is transaction cost.

4.4 Analysis of Influencing Factors on Customer Perception of Internet Banking.

The respondents were asked to express their degree of agreement against each question. In each section of the questionnaire. Five – Point Likert scale is used for each statement from “ SD – Strongly Disagree” to “SA – Strongly Agree”. The results are shown in following Table 4.10

Table (4.10) Influencing Factors on Customer Perception of Internet Banking

No .	Statements	Mean	Std. Deviation
1	Internet Banking Transactions directly from their offices and home rather than by visiting the bank physically.	4.59	0.494
2	Internet Banking can be accessed by all, anytime and anywhere.	4.65	0.479
3	Internet Banking is fast and efficient of electronic payment system.	4.47	0.501
4	Internet Banking transaction moving along more quickly.	4.66	0.476
5	Internet Banking help no longer limited to time.	4.58	0.495
	Overall Mean	4.59	

Source: Survey Results 2019

Table 4.10 shows that degree of agreement with the five statements. Regarding the results, Mean values of these statements are above agreement level. Therefore, factor number four is the strongest influencing factor of Customer perception on Internet banking and factor number three is the lowest influencing factor.

Table (4.11) Influencing Factor - Ease to Use

No.	Statements	Mean	Std. Deviation
1	Internet Banking is an easy way to conduct my bill payments transactions.	4.06	0.416
2	Internet banking transaction producers are simple for loan application	3.87	0.448
3	It would be easy use of channels among other banking services.	4.08	0.441
4	Learning to use internet banking won't be difficult for me.	4.21	0.483
Overall Mean		4.12	

As show in Table (4.11), participants demonstrated a high degree of expression is internet banking is easy to use that other banking channels, averaging 4.12 on the five – point Likert scale. As a result, the cost of internet banking is appropriate for the budget of the customer.

Table (4.12) Influencing Factor - Convenient

No.	Statements	Mean	Std. Deviation
1	Internet Banking is a convenient way to manage among online service transactions.	4.03	0.501
2	Using Internet banking is more effective than branch banking about time savings.	4.23	0.561
3	I prefer to use Internet banking because I do not have go to bank for Fund transfer.	4.16	0.518
4	It is convenient because it avoids the risk of operating to go to bank.	4.28	0.597
5	Using the Internet Banking to conduct banking transactions fits well with the way to manage my finances.	4.08	0.643
6	It is convenient because it eliminates the risk of carrying cash.	4.36	0.591
Overall Mean		4.21	

As show in Table (4.12), the values of mean are provide for convenient factor. The mean of convenient of internet banking is averaging 4.21. As a result, the customers rely on their banks about avoiding of operation time and carrying of cash.

Table (4.13) Influencing Factor - Service Awareness

No	Statements	Mean	Std. Deviation
1	Faster Internet access speed is important for internet banking.	4.31	0.696
2	Advances technology makes more safer for Internet banking.	4.12	0.597
3	If I have any problem about internet banking service, banks provide support properly.	3.97	0.647
Overall Mean		4.13	

As show in Table (4.13), the values of mean are provided for service awareness factor. The mean using internet banking for service awareness is 4.13. As the result, customer perception is less than the level of awareness of internet banking services. The bank should provide the more internet banking services and do the marketing or campaign to more awareness.

Table (4.14) Influencing Factor - Save Costs

No	Statements	Mean	Std.Deviation
1	I agree that the influence of internet banking on transportati on cost of customers is more safe cheaper cost.	4.18	0.403
2	I agree that the influence of internet banking on transaction costs makes more economical safe.	4.17	0.374
3	Internet Banking gives me greater control of cost savings over my finances and also to manage my finances more efficiently.	3.99	0.458
4	Internet banking service is less costly than other banking services. (Branch, ATM)	4.35	0.484
5	Internet Banking is more effective than branch banking an transaction cost involved.	4.17	0.374
6	Internet Banking is more effective than branch banking about time saving.	4.16	0.485
Overall Mean		4.17	

As shown in Table (4.14), the values of mean are provided for save costs. The mean for save costs of Internet Banking averaging is 4.17. As the result, customer perception is better and more satisfactory than the other responsiveness. Therefore, bank should maintain and improve to add more services in internet banking.

Table (4.15) Influencing Factor - Trust and Security

No	Statements	Mean	Std. Deviation
1	Using Internet Banking is as safe as using other modes of Banking	3.49	0.518
2	Internet banking is secure.	3.33	0.582
3	I am confident over the security aspects of Internet Banking	3.18	0.545
	Overall Mean	3.33	

As show in Table (4.15), the values of mean are provided for trust and security factor. The mean for awareness of Internet banking averaging is 3.33. As a result, the level of agreement is low for trust and security.

According to the results of respondents have any problems about internet banking service, banks provide support with degree is 3.97. The lowest mean score is also 3.97. The reason for this employees of banks will understand the specific needs of their customers and will always be willing to help their customers.

The other high level of expression in internet banking is convenient because it eliminates the risk of carrying cash with averaging 4.36. Mostly customers prefer to use Internet banking services for banking customers. The reason is that physically carrying cash is not required in the internet banking.

4.4.1 Relationship between the Study Variables on Customer Perception of Internet Banking

Correlation is used to determine the relationship between study variables (Ease of Use, Convenient, Service Awareness, Save Cost, Trust and Security) and customers' perception on internet banking.

Table (4.16) Summary of Correlation Analysis

Variables	Customer Perception of Internet Banking	
	R	Sig.
Easy to Use	0.348***	0.008
Convenient	0.435***	0.005
Service Awareness	0.488***	0.004
Save Costs	0.549***	0.003
Trust and Security	0.588***	0.002

Source: Survey Results, 2019

Table (4.16) demonstrates the correlation coefficient for customers' perception on internet banking services. The correlation coefficient between Easy to use and the customers' perception on internet banking service is 0.348. This relationship is significant at 1% level. This shows that there is fairly and directly relationship between customer's perception of internet banking services and easy to use.

The correlation coefficient between customer's perception on internet banking service and convenience is 0.435. This relationship is significant at 1% level. This shows that there is fairly and directly relationship between customer's perception of internet banking services and convenient.

The correlation coefficient between customer's perception on internet banking service and service awareness is 0.488. This relationship is significant at 1% level. This shows that there is fairly and directly relationship between customer's perception of internet banking services and service awareness.

The correlation coefficient between customer's perception on internet banking service and save costs is 0.549. This relationship is significant at 1% level. This shows that there is fairly and directly relationship between customer's perception on internet banking services and save costs.

The correlation coefficient between customer's perception on internet banking services and trust and security factor is 0.588. This relationship is significant at significant at 1% level. This shows that there is fairly and directly relationship between customer's perception on internet services and trust and security factor.

Table (4.17) Relationship between the Influencing factors on Customers' Perception of Internet Banking

Independent Variables	Unstandardized Coefficients		Beta	t	Sig.
	β	Std. Error			
Constant	2.575	0.566		4.552***	0.000
Easy to Use	0.413	0.108	0.374	3.822***	0.000
Convenient	0.303	0.083	0.347	3.647***	0.000
Service Awareness	0.137	0.061	0.186	2.242**	0.027
Save Cost	0.249	0.096	0.205	2.596**	0.011
Trust and Security	0.251	0.070	0.286	3.588***	0.000
R			0.573		
R Square			0.328		
Adjusted R Square			0.300		
F			11.13***		
Sig.			0.000		

Source: Survey Result, 2019

Significant level ***, **, * is at 1%, 5 % and 10 % .

According to the result, 5 factors influences the Customer Perception of Internet Banking, that are significant and $R = 0.573$, so that it is fair.

Regarding the estimated Multiple Linear Regression Model, Five values of 11.13 is significant at the 1% level. This indicate that overall model with these five independent variables on explain the variation of Customer Perception of Internet Banking. The R square for the model is 0.328 which indicates 32.8% of the variation in Customer Perception of Internet Banking is explained by all influencing factors.

The Multiple Linear Equation shows that Easy to Use, Convenient, Service Awareness, Save Costs and Trust and Security have significant positive effects with the Customer Perception of Internet Banking at 1 % and 5 % significant Level.

Concerning the result, Easy to Use 0.413 with 0.374 standardized coefficients has the greatest impact on Customer Perception of Internet Banking. This can be explained as every unit increase in easy to use will result an increase of 0.413 scare in Customer Perception of Internet Banking.

In addition, Convenient 0.303 has the second strongest impact and follow by Trust and Security 0.251, Save Cost is 0.249. The lowest impact of Customer Perception on Internet Banking is Service Awareness 0.137.

CHAPTER V

CONCLUSION

In this chapter of research, findings are summarized and concluded to derive the answers of research questions. This chapter includes three main sections: finding, suggestions and need for further research. First part consists of the finding of the study and research analysis of customers' perception on Internet Banking. On the second part, it includes the recommendations that are from the results of the research findings. In the last part, it presents the limitation and needs for further research.

5.1 Findings of the Study

This study analyses the customers' perception of internet banking services provided by local private banks in Myanmar. There are two main objectives in this study; to identify the Internet Banking Services provided by Selected Private Banks (AYA & KBZ Banks) in Myanmar and to explore influencing factors on the customers' perception on Internet Banking in three Private Banks.

To meet the objectives of the study and to do the analysis the required data of the objectives are collected through sample survey. The total of 120 respondents who are already being internet banking customers of KBZ and AYA were surveyed to represent the customers' perception. The demographic factors include age level, gender level, education level, types of profession.

In section one, the survey questionnaires are for customers' demographic characteristics. The gender of female is more than male that use internet banking. The highest percentage of respondents' age is 31 – 40 years, the second highest is 19 – 30 years and age group 51 – 60 is the lowest percentage share. The highest percentage of education degree of respondents is graduate and the second highest is under graduate. The majority of the respondents were married. In occupational status, most of the respondents are working in employed private sector organization and company.

In section two, the survey questionnaires are for customers' thoughts and habits. Among the four categories of respondents' frequency, the highest categories of the respondents are daily and weekly. The lowest category is monthly usage of internet banking. The most commonly used service of Internet Banking is Pay Bills.

The second most commonly used service of Internet Banking is Check account and balance.

In section three of survey question, the influencing factors of Internet Banking The respondents demonstrated a high degree of expression is eliminate the risk of carrying cash, averaging 4.36. When considering this average, it can be conclude that the customer want to reduce of risks to carrying of cash.

This statistical analysis is used to test and investigate the relationships between the independent variables (Ease of Use, Convenient, Service Awareness, Save Cost, Trust and Security factor) and dependent variable (Consumer's perception on Internet Banking). All these factors are positively correlated with customers' perception.

5.2 Suggestion

After reviewing the result findings, the following recommendations and suggestions have been proposed to the banking sector for improving the internet banking services in alignment with the perception of customers:

The finding of the study indicated factors of Ease of use, Convenient, Service Awareness, Save Cost and Trust and Security were statistically significant and positive effects on customers' perception while awareness factor was observed that have no effect on Customers' perception of internet banking.

The local banks should provide detail explanation to internet banking customers and should provide to build the trust and security of internet banking services. It will lead to high impact on usage of internet banking services as well. Thus, all the banks should invest in security issue and user-friendly software can attract more customers to use internet banking and will lead to development of Myanmar Banking Sector.

The local banks are recommended to improve their security features and precautionary measures for providing reliable services to customers. This study recommends that management of KBZ Bank and AYA Bank should evaluate their internet banking services in order to understand customer perception and how they can improve their internet banking services to impact on improvement in Myanmar Banking Sector. By granting secure and reliable services, the banks would be able to assure customers that internet banking is safe and secure.

The banks can shift the negative perception of customers into positive perception by emphasizing security measures in the marketing campaign. The banks should communicate effectively with the customers that their security measures are strong and eliminate the instructions by third party. The local banks also need to elaborate their internal security mechanism from a customer view point to emphasize their strong security procedures.

5.3 Needs for Future Research

In this study, it is selected only top two local private banks; AYA Bank and KBZ Bank because these banks are leading banks in private commercial banking sectors. There are 60 random samples from each bank. The respondents comprise only 120 customers because of time limitation and financial constraint. Since the life study and perception of people are always changing, the assessment on internet banking service should be made in continuous basis. At the same time, banks should maintain their good service qualities factors to keep customers' positive perception. This study is only focused on local private banks. Therefore, future study should conduct on customers' perception of all other banks also. Suggestions for future academic studies would be interesting to research across all banks in Myanmar and compare the results with this study.

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APPENDIX
QUESTIONNAIRES
YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE

MASTER OF BANKING AND FINANCE (MBF – PROGRAMME)

**INFLUENCING FACTORS ON CUSTOMER PERCEPTION OF
INTERNET BANKING**

Part (A)
Personal Information

- (1) Kindly indicate your gender
 - Male
 - Female

- (2) Kindly indicate your age category
 - 19 – 30 years
 - 31 – 40 years
 - 41 – 50 years
 - 51 – 60 years

- (3) What is your marital status ?
 - Single
 - Married

- (4) What is your highest level of education?
 - Under graduate
 - Graduate
 - Post graduate

- (5) What is your profession?
 - Business
 - Employees
 - Students

Part (B)
Usage of Internet Banking Services

- (6) Which banks internet banking service do you use currently?
- KBZ Bank
 - AYA Bank
 - Both
- (7) What is the main reason to use internet banking?
- Save time
 - Transactions is more cheap
 - 24 hours availability
 - Save Costs
- (8) How often do you use internet banking?
- Daily
 - Weekly
 - Monthly
- (9) Which service of internet banking services do you mostly use?
- Pay the bills
 - Check the accounts and balance
 - Fund Transfers
 - Mobile Phone Top-up

Part (C)

The efficiency of internet Banking services for cost savings of customers. Please state your level of agreement or disagreement to the following statements regarding your attitude towards Internet Banking.

The meanings of numbers as follows:

(SD): Strongly Disagree, (D): Disagree, (N): Neutral, (A): Agree (SA): Strongly Agree

No	Factors	SD	D	N	A	SA
(10)	Internet Banking is a convenient way to manage among online service transactions.					
(11)	Using Internet Banking is as safe as using other modes of Banking.					
(12)	Internet Banking is an easy way to conduct my bill payments transactions.					
(13)	Internet Banking gives me greater control of cost savings over my finances and also to manage my finances more efficiently.					
(14)	Using Internet banking is more effective than branch banking about time savings					

(15)	I prefer to use Internet banking because I do not have go to bank for Fund transfer.					
(16)	Internet banking service is less costly than other banking services. (Branch, ATM)					
(17)	Internet banking transaction producers are simple for loan application.					
(18)	Internet Banking is more effective than branch banking on the transaction cost involved.					
(19)	It is convenient because it avoids the risk of operating to go to bank.					
(20)	It would be easy use of channels among other banking services.					
(21)	Internet banking is secure.					
(22)	Using the Internet Banking to conduct banking transactions fits well with the way to manage my finances.					
(23)	Learning to use internet banking won't be difficult for me.					
(24)	It is convenient because it eliminates the risk of carrying cash.					
(25)	Internet Banking is more effective than branch banking about time saving.					
(26)	Faster Internet access speed is important for internet banking.					
(27)	Advances technology makes more safer for Internet banking.					
(28)	If I have any problem about internet banking service, banks provide support properly.					
(29)	Internet Banking Transactions directly from their offices and home rather than by visiting the bank physically.					
(30)	Internet Banking can be accessed by all, anytime and anywhere.					
(31)	Internet Banking is fast and efficient of electronic payment system.					
(32)	Internet Banking transaction moving along more quickly.					
(33)	Internet Banking help no longer limited to time.					
(34)	I am confident over the security aspects of Internet Banking.					
(35)	I agree that the influence of internet banking on transportation Cost of customers is more safe cheaper cost.					
(36)	I agree that the influence of internet banking on transaction cost makes more economical safe.					

Thank you for your time answering the questions.