

Determinants of Internet Banking Adoption on Kurdistan Region of Iraq

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Abstract

Electronic banking, including internet banking, is a necessary condition for the development, and the country's economic development, e-business, and society. In general, the aim of the article is to identify the factors exerting an influence on the use of internet banking in Kurdistan region of Iraq. To do this, 145 data has been collected from the majority of people in this region. Based on the results, it has been observed that as long as insecurity is increased, political instability, and government support perhaps increases the trust dimension. This means that a company can increase the willingness to use the internet banking system through these factors. Electronic banking and internet banking are important to the country's growth and enable more transaction among traders and people. Internet banking decreases the need for cash in hand. In this study, we learn that internet banking needs perceived ease of use, trust, and government support. The current study attempt to explore whether these factors are affecting internet banking adoption.

Keywords: Internet Banking, Kurdistan Region, Banks, Traditional Bank System and E Banking System

Introduction

Banks are financial institutions that are authorized to acquire and make loans for deposits. Financial services such as money management, currency exchange, and safe deposit boxes can also be offered by banks (Farquhar, 2017). Many different types of banks are available, including retail banks, commercial or corporate banks, and investment banks. Banks are governed by the national government or the central bank in most nations.

E-Banking includes consumers utilizing the Internet to get to their financial balance and to embrace banking exchanges (Agarwal, Rastogi, & Mehrotra, 2009). At the essential level, Internet banking can mean the setting up of a website page by a bank to give information about its items and administrations. At a high level, it includes arrangement of offices, for example, getting to accounts, moving assets, and purchasing monetary items or administrations on the web. During the 1990s, banks understood that the rising ubiquity of the World Wide Web gave them an additional freedom to promote their administrations. At first, they utilized the Web as another leaflet, without cooperation with the client. Early locales included photos of the bank's officials or structures, and gave clients with guides of branches and ATM areas, telephone numbers to call for additional data and basic postings of items.

Automated service providers such as ATM (Automated Teller Machine), portals, mobile banking, so on are now being embraced by financial organizations. Banks' websites are very useful because it would be easier

for clients to select and use the service when accurate information about goods and services is accessible on their websites (Narteh, 2013).

Since the website now assumes a customer branch role for a day, customers access the website instead of visiting the branch physically and engaging with the bank. Companies are now using electronic commerce to run their activities all over the world. In order to compete with the digital world, banks should alter their structures and procedures in a new technological environment. (Raza, Naveed, & Ali, 2017)

Recent times, it has been acknowledged that understanding the reasons behind accepting or rejecting electronic systems such as internet banking is one of the most problematic issues in information system research, particularly in Iraq (Grabner-Kräuter, & Faullant, 2008). However, there are few empirical studies linked to the adoption of internet banking service in Iraq. Based on this gap it is important to have more empirical studies on antecedents of internet banking service adoption, because past studies have included only just few variables. Therefore, this research aims to explore several basic behavioral and cultural influences of internet banking service adoption/non-adoption.

The word "Internet-Banking" is now become very attractive in all over the world. But in Iraq generally and in Kurdistan especially internet banking is still struggling for its growth. It has connected the whole world and a businessman wherever he is living can do his business transaction through these digital methods. Now the whole world is in competition, everyone wants to beat his rival by providing in-expensive and better services to expand his business (Lucking-Reiley & Spulber, 2001).

Main rational idea behind this study is to analyze the factors affecting the banks adoption decision of internet banking in Pakistan. Consistent with previous literature and to check these factors, some questions have been formed to check the effects of these factors on adoption decision. Practically this study will help banks to form their policy regarding Internet Banking adoption. Secondly, it will also helpful for State Bank of Pakistan to check and regulate the Internet Banking and make laws to enhance the Internet banking adoption process.

Electronic banking is an umbrella term for the process by which a customer may perform banking exchanges electronically without visiting a physical foundation. The following terms all allude to some type of electronic banking: (PC) banking, Internet banking, virtual banking, internetbanking, home banking, and distant electronic banking. Internet or internetbanking is the most frequently used designations. (Keivani, 2012). The emergence of electronic banking returns to the start of the eighties, concurring with the emergence of electronic money cards were in the start of the only remaining century in France as cardboard cards utilized in the telephone Public and metal cards are utilized at the postal level in the United States of America. When all is said in done 1958 American Express delivered the primary plastic card to spread broadly, and afterward it did at that point, eight banks gave the "Americard Bank" card in 1968, to move to the Visa organization Globalism,

Technological innovations are having significant importance in human general and professional life. This era can safely be attributed as technology revolution. The quick expansion of information technology has imbibed into the lives of millions of people. Rapid technology advancements have introduced major changes in the worldwide economic and business atmosphere. Information technology developments in

the banking sector have sped up communication and transactions for clients (Booz et al., 1997). Internet banking is also one of the technologies which are fastest growing banking practices nowadays. It is vital to extend this new banking feature to clients for maximizing the advantages for both clients and service providers.

Research Problem

Modern branch-based retail banking retains its popularity and continues to be the most common form of performing banking transactions in Iraq or anywhere else. Internet technology, on the other hand, is rapidly changing how banks develop and offer personal financial services. Currently, Iraqi commercial banks, via internet-based E-banking services, and internet banking, businesses can boost their operations and cut costs. Despite their availability, these devices go unnoticed by consumers and are undoubtedly underutilized. As a result, it's critical to comprehend users' embrace of internet banking as well as the factors that influence their decision. The answers to these questions are critical because they will aid the banking industry in developing marketing strategies to promote the new types of internet banking systems, as well as aid Iraq's economic growth. (Abu-Assi, Al-Dmour, & Zu'bi, 2014).

Research Significance

Banks have started to use the internet as one of their distribution platforms because internet banking services benefit both the banks and their customers (Karjaluo, 2002). It is a customer-friendly method; consumers may conduct bank transfers or contact their banks more quickly and without regard to time or location. Electronic contact between financial service providers and their customers is becoming a viable choice. As a result, many financial services companies are taking advantage of internet capabilities and rapidly implementing them.

Without a doubt, in order to increase consumer internet banking adoption, Iraqi financial institutions, especially banks, must make significant changes that address consumer concerns and gain a better understanding of the main factors that influence consumer internet banking. Adoption is a term used to describe the process. As a result, the aim of this research is to identify the factors that influence internet banking adoption among Iraqi and Kurdish consumers.

In other words, the factors that are essential to success, as described by customers who use internet banking directly, will be studied when it comes to internet banking acceptance. As a result, in order to better understand and encourage internet banking adoption, more information about the factors that influence adoption is needed.

Hypothesis Tests

There is no difference between internet banking and traditional banking.

H1: internet banking is considered as most significant in camper to traditional banking.

H2: security is a determinant, very important part of the electronic banking and internet banking construction.

H3: people in Iraq and Kurdistan don't have any trust to internet banking.

Methodology

Purpose

After concluding and explaining the importance and reasons of this project in this section the methods and methodologies that have been used is going to be explained. The purpose of this project is to realize of what customer's perspective about internet banking and bank account, what kind of account the costumer using and which type of card is important. In addition, how customer evaluates the bank account on internet and security, trust, government, and safety issue will be explored.

Sampling and Demography

Data have been collected from 198 people by the google forms and only 145 forms were used in this study. The questionnaire survey included 28 questions and we conducted this survey questionnaire to know how many people have bank accounts, and whether people care about banks and internet banking.

Table 1 Age test

Age	Number
18-14	85
25-30	35
31-35	22
36-40	3

According to the Table 1, the majority of people are in the age of 14-18 years old (59 %), moreover, 24% are in the age of 25-30 years old, 15% percent of them are in the age of 31-35 years old, and 2% are in the age of 36-40 years old.

Table 2 Monthly salary test

Monthly Salary	Number
300,000-500,000	86
Above 500,000-800,000	29
Above 800,000-1,000,000	15
Above 1,000,000-1,250,000	11
More than 1,250,000	4

According to the Table 2, it that has been shown that 86% percent of the amount of salary is between 300000 and 500000 IQD, further, 29% percent the amount of salary is above between 500000 and 800000 IQD. And 15% percent of the amount of salary is above between 800000 and 1000000 IQD, also 11% percent of the amount of salary is above between 1000000 and 1250000 IQD and the last one is 4% percent the amount of salary is above 1250000 IQD.

Table 3 Gender test

Gender	Bank Acc		Visa Card		
Male	91	Yes	24	Yes	36
Female	54	No	121	No	109

In the third table it shows that 91 of the participants were male and 54 were female. Also the table shows that 24 people have bank account and 121 do not. Further, while 36 of them have visa card, 109 do not.

Table 4 Importance of Internet Banking Test

importance of online banking	X 1	15	0.10	5	0.03	7	0.05	19	0.13	26	0.18	45	0.31	28	0.19	145
	X 2	11	0.08	6	0.04	9	0.06	18	0.12	17	0.12	53	0.37	31	0.21	145
	X 3	10	0.07	7	0.05	7	0.05	13	0.09	16	0.11	57	0.39	35	0.24	145
	X 4	6	0.04	5	0.03	5	0.03	14	0.10	23	0.16	60	0.41	32	0.22	145
online banking vs. traditional banking	X 5	8	0.06	10	0.07	5	0.03	18	0.12	25	0.17	54	0.37	25	0.17	145
	X 6	6	0.04	6	0.04	7	0.05	20	0.14	24	0.17	49	0.34	33	0.23	145
	X 7	8	0.06	4	0.03	11	0.08	44	0.30	18	0.12	39	0.27	21	0.14	145
	X 8	6	0.04	6	0.04	4	0.03	23	0.16	22	0.15	49	0.34	35	0.24	145
time consumption and facilities	X 9	7	0.05	4	0.03	6	0.04	11	0.08	18	0.12	53	0.37	46	0.32	145
	X 10	9	0.06	10	0.07	3	0.02	16	0.11	17	0.12	54	0.37	36	0.25	145
	X 11	6	0.04	4	0.03	5	0.03	13	0.09	31	0.21	53	0.37	33	0.23	145
	X 12	6	0.04	4	0.03	8	0.06	13	0.09	20	0.14	63	0.43	31	0.21	145
Cash issues solving	X 13	11	0.08	5	0.03	9	0.06	25	0.17	21	0.14	43	0.30	31	0.21	145
	X 14	5	0.03	6	0.04	11	0.08	20	0.14	35	0.24	45	0.31	23	0.16	145
	X 15	5	0.03	7	0.05	2	0.01	19	0.13	28	0.19	53	0.37	31	0.21	145

The table above has shown that the majority of people has indicated that the importance of internet banking is much more than traditional banking system if the government supports their rights and if the money that they have in a bank is safe. People think that the traditional banking system is not convenient to use because of that reason they are interested to use internet banking system that facilitates their normal daily routine.

Also, Table 4 shows that (X1, to, X4) banking is important for international economic activities, and for inside economic activities within country. The table indicates that most of the participants agreed to internet banking availability to improve money liquidity.

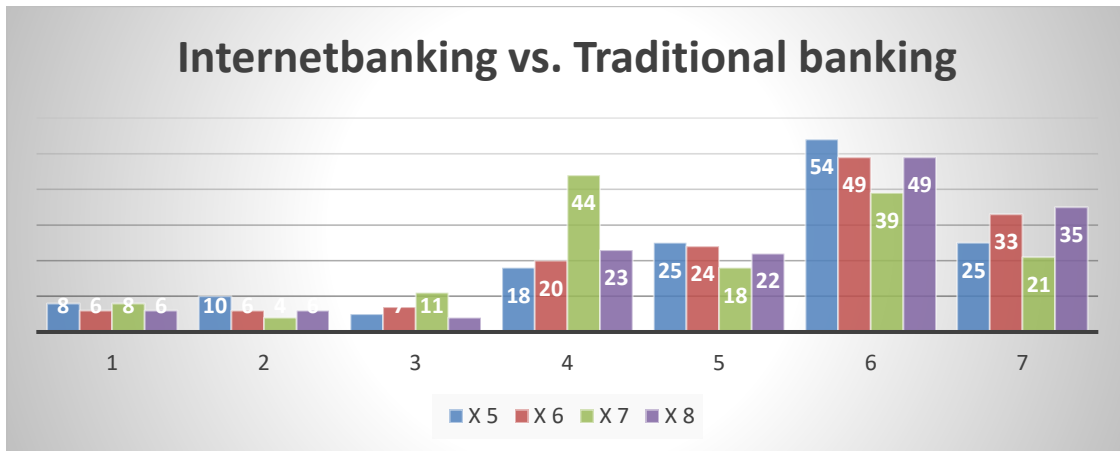


Figure 1 Internet banking vs traditional banking test

Figure 1 shows (X5, to X8) that internet banking is better than having only traditional banking services, and internet banking has facilitative role for the citizens, and foreigners. Result demonstrates that traditional banking in Kurdistan Region of Iraq doesn't do their normal duties.

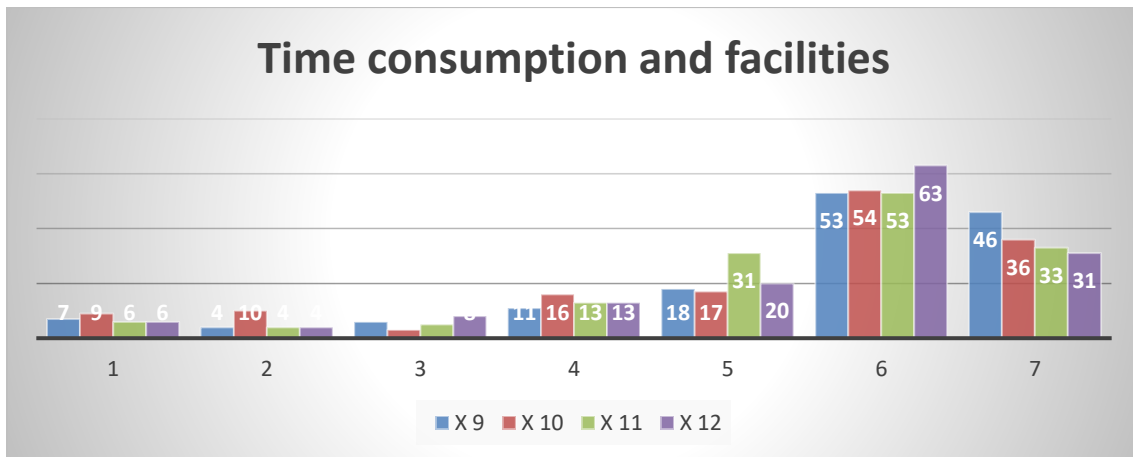


Figure 2 Time consumption and facilities

Figure 2 indicates that internet banking is not kind of time consuming but it retakes time. While a person wants to buy a product through online, it is much easier compared to go the certain store to buy his stuffs. Besides, traditional banking wastes time compared to internet banking, people could do better arranged duties in daily routines.

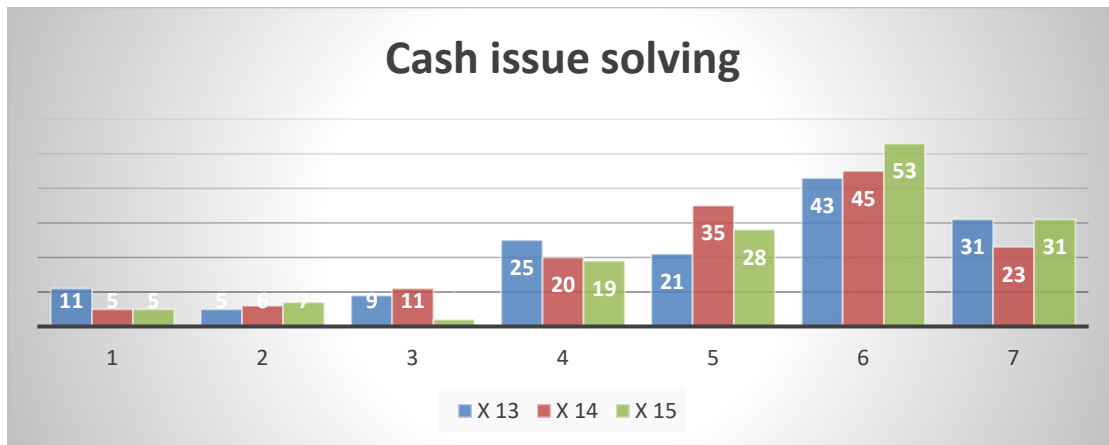


Figure 3 Cash issue solving

Within internet banking there would be more transaction among traders and people. Because there is no more time consuming and convenient to do trade through internet banking system. And it also decreases the need of cash in hand.

Table 5 Cronbach's Alpha for each dimension

Reliability Statistics		
	Cronbach's Alpha	N of Items
political stability	0.656	2
security	0.624	3
trust	0.766	4
government support	0.841	4

Table above shows the reliability analysis results. The analysis was conducted using Cronbach alpha methodology. For each dimension, Cronbach alpha was tested. It is expected for each dimension Cronbach alpha would hold minimally 0.62 in order to consider the dimension as reliable. In this context, reliability can be defined as the same question will obtain the same data in case they are asked to the same people in the same conditions. When the table is observed, it was seen that each dimension of the questionnaire held Cronbach alpha above 0.62. However, the dimension held value between 0.62 and 0.84. Hence, it can be concluded that the questionnaire and the data are reliable enough to continue with the further analysis.

Table 5 Impact government support on trust

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.599a	0.359	0.355	0.975		
a. Predictors: (Constant), Government support						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.389	0.341		6.996	0.000
	Government support	0.529	0.059	0.599	8.951	0.000
a. Dependent Variable: Trust						

We tested the impact of government support on the trust. The results showed that government support explained 35% of the overall variance on the trust. Secondly, the standardized coefficient value of quality on the value was 0.56. Further, this impact was significant as the trust was less than 0.05.

Table 6 Impact security on trust

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.261a	0.068	0.062	1.176		
a. Predictors: (Constant), Security						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.301	0.341		12.612	0.000
	Security	0.197	0.061	0.261	3.238	0.001
a. Dependent Variable: Trust						

We tested the impact of security on the trust. The results showed that security explained 6.2% of the overall variance on the trust. Secondly, the standardized coefficient value of quality on the value was 0.26. Further, this impact was significant as the trust was less than 0.05.

Table 7 Impact Political instability on trust

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.423a	0.179	0.173	1.104		
a. Predictors: (Constant), Political instability						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.640	0.321		11.341	0.000
	Political instability	0.329	0.059	0.423	5.587	0.000
a. Dependent Variable: Trust						

We tested the impact of political instability on the trust. The results show that political instability explained 17% of the overall variance on the trust. Secondly, the standardized coefficient value of quality on the value was 0.42. Further, this impact was significant as the trust was less than 0.05.

Conclusion

The aim of this research is trying to raise the use of technology and solving some problems in our country Iraq and Kurdistan about internet banking. To do this, a survey questionnaire was arranged and applied to some people. As result 145 data have been conducted and evaluated through correlation and regression analysis. Finally it was observed that as long as the government support, security and political instability increases the trust among the majority of people increases to use internet banking system in Kurdistan region of Iraq. It has been suggested to the government and the bank owners that they should improve the trust of people in terms of security, government support and political instability.

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