

# Factors Hindering the Use of Internet Banking and Mobile Banking Service of Islamic Banking for the Online Businessman

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**Keywords:** Internet Banking, Mobile Banking, Islamic Banking, Online Entrepreneurs.

**Abstract:** Utilization of Internet Banking and Mobile Banking in Islamic Banking for Online entrepreneurs is a crucial problem nowadays. In relation to shariah compliance violations, many online Muslim entrepreneurs do not use facilities of Islamic Banking as a means of payment of transactions in their business. This brings several impacts, for example network of conventional banking which has developed earlier, thus when online entrepreneurs want to use i-banking and m-banking in online transactions, they will find it difficult as there is difference in administrative costs. In addition, the lack of awareness of online business people is also the cause of several obstacles in the utilization of i-banking and m-banking in Islamic Banking. This study uses 50 respondents, online business people including distributors, agents, resellers, and including end users. By using a qualitative approach with snowball model, this research is expected to contribute significantly to the Islamic banking and online businesses who want to implement shariah compliance in their business activities. This research finding the factors hindering the use of I-banking and M-banking service of Islamic banking for the online businessman. The limitation of I-banking by Islamic banking and M-banking provided and the limitation of I-banking network in Islamic banking for the online businessman.

## 1 INTRODUCTION

Today's technological advance brings many new products into banking and new concepts in business. Electronic banking or internet banking is familiar to facilitate customer transactions through online banking. The application services are intended to facilitate payment system, transfer system, viewing system of recording financial transactions in bank accounts and so forth. New concept in business, along with the emergence of technology is the birth of online business, which certainly does not BIRng together buyers and sellers. The absence of a meeting between buyers and sellers requires online buyers and sellers to use banking services as a means to facilitate transactions in online business.

*Internet banking* and *mobile banking* services is one of the means to facilitate transactions among banking customers, especially those who are often transact business online. With *i-banking* and *m-banking* customers do not have to bother long queue at a bank. They are still able to access their bank *account* wherever they are. Implementation of the system *i-banking* and *m-banking* in the bank is one of the ease of bank services to its customers, so

that the bank can more freely raise and channel funds from and to customers. *I-banking* and *m-banking* necessarily provide a double benefit to banks and customers in terms of efficiency, ease of transaction and breadth of outreach. As for the banks, *i-banking* and *m-banking* will develop banking products more efficiently due to operational cost savings. Moreover, the presence of *i-banking* can also cut the number of the representative office of a bank, because customers are able to do transaction from their respective locations. This is as explained by Elsan (2009) that the method of payment with electronic systems can provide comfort and cut operating costs of banks.

Both *i-banking* and *m-banking* has its advantages and disadvantages, *m-banking* is more accessible everywhere as it does not rely on internet network. The application is simpler thus it is easy to learn by many people. However, the use of *m-banking* must be supported by an adequate pulse, different from *i-banking* that does not need support of internet network. Thus, the use of *m-banking* is tend to be easier as it can be used wherever the users are, in a big city or in a remote village and with various types of mobile phones (GSM). Yuliaty (2014) in his

study mentions that *internet banking* services have influence on quality of service, which consists of being *tangible*, *reliability*, *responsiveness*, *assurance*, and *empathy*.

Banta (2014) in his study mentions respondents agree that *electronic banking* service application supports fund transfer, bill payments, loan applications, credit cards, personal accounts, and so forth. Ease of transfer of funds is undoubtedly easy. However, customers find difficulties in the implementation of *e-banking* service application because the number of information needed to apply for loans and credit cards. Another problem is the numbers of personal accounts were *hacked*, this indicates a system for assurance of confidentiality has not been maintained. A further problem is the customer experience one difficulty to *log-in e-banking* in their personal accounts that they had difficulty in paying bills, especially if they have to go to the bank and no information was received at the time of payment. Meihami et al. (2013) mention in their research that suggest a link between the electronic banking with five components, namely: automated teller machine, bank cards, *internet banking*, *call centers* and *point of sale*, with the bank's revenue. Sa'diyah and Aziroh (2013) explain that the factors of trust between Islamic banking of Mumalat Indonesia in Kudus and that customers, is about the using of mobile banking.

Amin et al. (2008) conducted the research about Bank Islam Malaysia Berhad (BIMB) is a commercial bank in Malaysia to introduce *mobile banking system* to its customers. The results showed that the behavior of customers to use *mobile banking* because of their ease of implementation. Another finding is the credibility that is perceived by customers, perceived ease of use and also benefit from this *mobile banking*. The findings of this study are useful to promote the importance of *m-banking* system among its customers especially for customers of Bank Islam Malaysia Berhad, and also to promote the use of *m-banking* among customers.

Suharini (2008) mention in her study about the perception of Mandiri bank customers from customers of bank Mandiri in Jakarta, about the application of *electronic banking services system*. The research with quantitative method resulted in a finding that the majority of respondents gave a good response. The indicator is the existence of five dimensions of service quality provided by Bank Mandiri. The fifth such services are: *first*, in terms of reliability of *electronic banking* services because

its handling is performed by professional, adequate services of location and means, low cost, speed of service delivery; *second*, bank and ATM locations still to be improved; *Third*, the quality of responsiveness is still considered normal by the customer, because complaint service has not been handled well; *fourth*, good guarantee for the customer as more than 50% of *e-banking product* is fully guaranteed by the company; *Fifth*, dimensions of empathy which is good because the employee response to complaints from customers.

Somali et al. (2008) in their study was to identify the factors that encourage customers to adopt online banking in Saudi Arabia. The findings of the study suggests that the quality of the Internet connection, the awareness of online banking and its benefits, the social influence and computer self-efficacy have significant effects on the perceived usefulness (PU) and perceived ease of use (PEOU) of online banking acceptance.

However, the researcher sees that they use mostly conventional banking. Therefore, the present study discusses the use of *i-banking* and *m-banking* in Islamic banking for the online entrepreneurs.

## 2 METHODOLOGY

The approach in this study is qualitative, with objects of 50 online entrepreneurs of *end-users*, resellers, agents and distributors who use *i-banking* and *m-banking* from conventional banking and sharia then pursued into user *i-banking* and *m-banking* in Islamic banking. In determining the informants in this study, snowball method, also known as chain referral procedure or *networking* procedures is applied. In this procedure, with whom the participant or informant has made contacted or the first time they met the researcher is important to refer the researcher to others who have the potential to participate or contribute and learn or provide information to the researcher.

The researchers interviewed 76 respondents directly or indirectly. Direct interview was conducted orally and in writing, either face to face or through electronic mail and involve social media such as *Facebook*. Indirect interviews includes information from respondents interviewed about other businessman. By using snowball method, the researcher who initially found the 76 respondents decided to use 50 of them. This is based on several considerations, one of which is the absence of *ibanking* and *mbanking* of Islamic banks by the

respondents. While they do not have *ibanking* and *mbanking* of Islamic banking, averagely they have account in Islamic banking. Therefore, they were selected among 76 initial respondents interviewed before it was determined to only become 50 respondents.

When the researcher goes into the field and interviewed 50 respondents who are online entrepreneurs with a wide range of products/services, obstacles in the use of *internet banking* and *mobile banking* in Islamic banking is revealed. There are some reasons why some entrepreneurs choose to consistently use *internet banking* and *mobile banking* to support their business. This analysis was obtained after investigators interviewed several online businesses, distributors, agents, resellers or end consumer (*end user*) online entrepreneurs.

This research using observation, indept interviewing and documentation (Soeratno, 1995) to collect the information from 50 online entrepreneurs who use *i-banking* and *m-banking* from Islamic Banking. Some informants are only concentrated in some areas in East Java such as Sidoarjo due to close to the location of researchers. Only few informants are from outside Java, especially in remote areas, due to the lack of online business development outside Java. The researcher finds it difficult to find informants from the regions of Aceh and Papua, due to the lack of online business there due to high shipping rates in some areas.

This study uses case studies for the data analysis, which is one of the strategies and methods of qualitative data analysis that emphasizes on special cases that occur in the object of analysis. In this study, the type of case study used is the case study of observation, which according to Bogdan and Biklen (Bungin, 2011) is more emphasis on the use of observations in research to capture the detailed and actual empirical information from the unit of research analysis, whether it concerns the lives of individuals and certain social units in society.

### 3 RESULTS AND DISCUSSIONS

Humans always crave ease in every affair that they are. Advances in technology force them to *aware* of all that can be done very quickly. By using sophisticated smartphones, tablets and internet quota, one no longer needs to pace back to the bank, because they can do their own services they want. Someone can transfer some money, check balances, see account mutation, deposit money deposit, pay

bills electricity, telephone, and so forth. Transactions relating to deposits and withdrawals are still carried out by the user, which is deposited on the teller and through CDM machines (*cash deposit machine*). The existence of *i-banking* and *m-banking* helps a person to maximize their time to focus on running the business they have run. Time saving of *i-banking* and *m-banking* customers may also affect the cost savings the customer journey. One of the most important things is that customers can make banking transactions whenever they want, while there is an internet quota network and they can also transact in their own time.

The use of *internet banking* and *mobile banking* for online businesses is something that is very significant, because the online business is driven by transaction-based technology. One of them is payment system supported by technology from banking. Newly-born Islamic Banking in Indonesia since 25 years ago-beginning with the establishment of Muamalat-bank, is certainly trying to improve the existing services, especially the service for electronic banking in which is internet banking and mobile banking services.

Regardless Islamic banking effort to provide the best service to its customers, some Islamic banks have also developed their banking service to socialize *i-banking* services and *m-banking* for their customers.

This is good news for the online business that is being looked forward to these services. However, *i-banking* and *m-banking* in sharia banks still leaves some limitations and shortcomings. Limitations and constraints includes the following factors:

#### 3.1 Limitations of *Internet Banking* and *Mobile Banking* Provided by Islamic Banking for Clients of Online Businessmen

Some respondents claimed that the presence of one bank that dominates conventional *i-banking* and *m-banking* is one of the biggest obstacles in the use of *i-banking* and *m-banking* for online transactions. Such conventional banks monopolize the traffic of payment systems in online business. When *i-banking* and *m-banking* of sharia banks want to match the services of the bank, this is very heavy. Many sellers or buyers are actually thwarting their transactions early on when not facilitated with the accounts of these conventional banks, for example retail transactions in small nominal above 100 thousands.

Electronic banking services in online business is the lifeblood of online business itself, in addition to

shipping services which is also one of the drivers for the online business. Online business requires clarity, ease, speed and accuracy of payment system. Some respondents said they initially use the electronic services of Islamic banks, both *i-banking* and *m-banking*. However, as many of their customers choose to use a conventional bank, in the end the online sellers also follow the trend. This is as described by some respondents from several regions:

*"At first I used electronic banking from sharia banks for my online business payment system. However, because consumers object and many choose to use conventional banks, I finally opt conventional banks. Sharia bank is only for saving."*

Another respondent describe that the difficult of using *i-banking* and *m-banking* in sharia banking, is because many of her partners of online business is using *i-banking* and *m-banking* from the conventional banking. He was said:

*"I use i-banking and m-banking from conventional and sharia banks, but over time as most of my college use electronic banking from conventional banks, I adjust them. Technically i-banking and m-banking from conventional and sharia banks are the same. No obstacles. Only bank transfers are charged. If many of my partners use i-banking and m-banking from sharia banks, then I will use electronic banking from sharia banks."*

### **3.2 Limitations on Internet Banking Network in Islamic Banking for Clients of Online Businessmen**

Another obstacle in the use of *i-banking* and *m-banking* Islamic banks is the operational nature of the application and the service *i-banking* and *m-banking*. It deals with technical, design and ease of application. Some users of *i-banking* services and *m-banking* of Islamic banks complain the difficulties of using *i-banking* services and *m-banking* in a sharia bank. Technical and design is very influential on the use of *i-banking* services and *m-banking* itself. The easier the users learn and use this service, the more users of *i-banking* and *m-banking* in Islamic Banking.

However, some respondents said that the *i-banking* services and *m-banking* in other syariah banks simply facilitate them in conducting transactions online. They do not get a problem in its use. This means that some of the *i-banking* services and *m-banking* in one syariah bank has been well received by the community, although

in some other banks are still complained in the utilization.

Operation complained is precision and accuracy of the application, there is one interesting finding when the investigators interviewed a woman who are also users of *i-banking* in Islamic banks. She complained about the accuracy of *i-banking* services in one of the Islamic banks:

*"I have a baby equipment store and Muslim clothing, which use online and offline transaction. My husband died of illness and I am pregnant with my first child. I live in the Brebes pelosol, and very far from sharia bank office. When I want to transact with sharia bank, in a rather old pregnancy position I go to Brebes - which takes 2 hours - to open an account and simultaneously register for i-banking services from the bank. Previously I used i-banking from one of the conventional banks. I-banking service from sharia bank I use to transact at one of the agents in Surabaya, unfortunately after I transfer money, my colleague in Surabaya stated that he has not received the money and there has been no report entered in his account. And when the money has been received, the goods will be directly shipped and I will be able to directly market the goods because most of the orders from buyers. With a frantic condition (because of the sharia bank office is far), I just resigned to wait for news about the money I have transferred (pretty big value for me). The next day I was newly informed by my agent's colleague in Surabaya that money has been transferred. Finally my stuff is delayed to be sent one day, and for me this is detrimental to me."*

Limitations of *i-banking* services of one of the Islamic banks have resulted in *inefficiency* and *un-integrity*, which is detrimental to the service users. Therefore, some improvements have to be made by sharia bank related to the service. The ability of sharia banks in carrying out changes to the better will result in the trust of customers of online business. Starting with the effort to improve *error of i-banking system*, making the system more flexible but still upholding the security of user information the service. Adjustments to the needs of online businesses is one of the things that ought to be considered, because the current era is the era of the purchase through technology or *e-commerce*, so that the changeable conditions should be interpreted as an opportunity to develop their existing *systems*.

### 3.3 Spiritual Motivation in Utilizing I-Banking and M-Banking Services in Sharia Banking for Online Businessmen

Electronic banking service in online business is the lifeblood of the online business. Online transactions will always involve electronic banking, as payment is made through banking services. Of the 50 respondents, several respondents fall in this type of category. They always act very spiritually, because they always intend everything they do because of worship.

Some online businesses that have spiritual motivation always volunteering using *electronic banking* of Islamic banking. They make use of the service under any circumstances, even with some of the constraints and limitations of the service. The results of the interviews conducted to several respondents indicated that *electronic banking* users feel comfortable in using this type of service from Islamic banks. Here's an interview from one of the respondents in Sidoarjo:

*"I always transact online using the services of sharia banks, and I only share 2 of my accounts in sharia banks for payment services in my online business. When a customer requests payment using a service in a conventional bank, then I will not give it. If the consumer objected to the inter-bank transfer fee of Rp. 6500, then I will sacrifice to pay the fee. I turn a blind eye to the lack of service in Islamic banks, because that is an important blessing. "*

Several other respondents also stated that they are more comfortable to use *electronic banking* services of Islamic banks although there are some obstacles in the utilization of services in Islamic banks. The principle held by respondents of this type is very strong, from some interview results, following interviews that represent the power of the spiritual motivation of the respondents. Here's one of the interviews from online business in Bandung:

*"I only use electronic banking services from sharia banks. The benefits of using the services of sharia banks are halal, easy, practical, affordable, and transparent. The difference between sharia and conventional banks is if I use the services of sharia banks, then I am more calm and comfortable in worship. Marriage is better than adultery. Why should use the haram if there is a halal. So, I do not see how many benefits and advantages. Alhamdulillah, all this time all my affairs have been well facilitated by sharia banks, for transfer, payment, purchase, and so forth. "*

Some users of electronic banking services in Islamic banks with this spiritual motivation have a strong religious background. For example there are some online sellers who actually are recognized by the surrounding community with the name *ustadzah* or *ustad*. Another respondent for this group is an online salesman who has been very successful and well established, so he does not feel afraid of being abandoned by his customers. Respondents with this type also believe that transactions in Islamic banks must BIRng blessings, and all associated with conventional banks is usury.

## 4 CONCLUSIONS

This research resulted in a conclusion that is obtained after researchers conducted several prose s interviews with 50 respondents. There are some obstacles in the use of *internet banking* and *mobile banking* for online businesses in Islamic banks. These constraints are associated with the obstacle limitation of *i-banking* and *m-banking* in Islamic banks, as well as barriers to the limitations of the network *i-banking* and *m-banking* in Islamic banks for online businesses. Online businessmen as one community that are closely linked to one another is a very good niche for the development of *i-banking* and *m-banking* in Islamic banks. The solution to the first obstacle is quantity of *i-banking* and *m-banking* in the growing Islamic banks, especially those users are online businesses. The second solution is improvement on system and service network of *i-banking* and *m-banking*, thus that this problem will be resolved.

Limitations of this study are that the majority of respondents were female and a large part of them is an online seller of clothes. Further research targeting the respondents from big businessman, who are members of the association and the association of Muslim entrepreneurs are necessary, to prove how committed they are in the utilization of services in Islamic banking.

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