

Internet E-banking Usage and Customer Loyalty
by Small and Medium Enterprises:
An Empirical Study

YEE Man Hei

A thesis submitted in partial fulfilment of the requirements
for the degree of Doctor of Business Administration

Principal Supervisor: Dr. LIAO Ziqi

Hong Kong Baptist University

November 2012

ABSTRACT

Hong Kong has the highest Internet (86.8%) and mobile (215.3%) penetration rates in the world (Office of the Communication Authority, 2012). It also has the most “service-oriented economy” and 90% of our GDP is contributed by the services industry (Hong Kong Trade Development Council, 2012a). The banking industry in Hong Kong, which has the highest concentration of banks in the world, is important to our economy (Hong Kong Trade Development Council, 2012b). Small and medium enterprises (SMEs) are also imperative to Hong Kong economy because they employ 48% of Hong Kong working population (Hong Kong Trade and Industry Department, 2012a). Meanwhile, they can contribute 30-40% profits to banks in Hong Kong (Bank of China, 2012; HSBC, 2012). Banks therefore provide customized Commercial Internet Banking (CIB) services to serve this important segment.

The extant e-banking research tends to focus on individual customers and attitude/intentions to use e-banking rather than SMEs’ actual usage of CIB, customer satisfaction on CIB and loyalty towards their banks. While individual customers use e-banking to meet their personal banking needs, SMEs use e-banking to handle banking transactions for their daily operations with suppliers, customers and employees. To fill up these research gaps, this field-level quantitative study is carried out to evaluate 1) what are the determinants for Hong Kong SMEs to adopt and utilize CIB; 2) whether usage of CIB leads to SMEs’ loyalty towards their banks and 3) whether internal and external institutional pressures on SMEs positively impact the usage of CIB and moderates relationships between factors impacting the CIB adoption and utilization.

The study achieves all the three objectives. First, it proves that the technology acceptance models (TAM, TAM2 and UTAUT) by Davis, Bagozzi and Warshaw (1989), Ventakesh and Davis (2000), and Ventakesh, Morris, Davis and Davis (2003) are

applicable to SMEs' adoption and usage of CIB. Perceived usefulness and perceived ease of use of CIB positively influence SMEs' intentions to use CIB. While SMEs' intentions to use CIB can lead to their usage of CIB, this study also confirms that perceived trustworthiness of CIB provider is another important factor that impacts SMEs' usage of CIB. Meanwhile, it finds out that perceived security of CIB and perceived ease of use positively influence perceived trustworthiness of CIB provider. Second, as per the findings by Flavián, Guinalú and Gurrea (2006), Otim and Grover (2006) and Casaló, Flavián and Guinalú (2008) on individual customers, this study confirms that SMEs' usage of CIB positively impacts their satisfaction on CIB and then their loyalty towards their banks. This finding is especially important in Hong Kong because SMEs' loyalty towards their banks is low (Lam and Burton, 2006). Third, this study proves that internal institutional pressure has a mild direct impact on actual usage of CIB and strengthens the relationship between SMEs' actual usage of CIB and their satisfaction on CIB. The study also confirms that external institutional pressure from competitors and customers influences the views of SME owners, managers and employees on whether CIB is a general practice of their industries. In summary, this study establishes an integrated framework of CIB usage and customer loyalty for SMEs, which extends the technology acceptance models (TAM, TAM2 and UTAUT) to cover the outcomes of CIB usage (i.e. SME customers' satisfaction and loyalty). It contributes to both academics by filling several research gaps on e-banking studies and to bank management and e-banking practitioners by confirming that CIB is a strategic tool to achieve SMEs' loyalty.