

## **CHAPTER 2**

### **Literature Review**

In this chapter, the banking, internet, e-banking and tourism sectors in Myanmar, the relevant theory, and the conceptual background about the TAM model will be reviewed.

#### **2.1 Review of the Background of Myanmar E-banking sector**

##### **2.1.1 Review of Banking Industry in Myanmar**

Banking and financial reform is one of the top prioritized policies of the government of Myanmar. However, the reform is still in the early stage (About Myanmar: Financial Services, 2015). Currently, the financial system in Myanmar is mainly still based on cash (Foerch, Ki, Thein, & Waldschmidt, 2015). The customer of the bank mistrusts their bank because of the dramatic inflation and bank-run problems from the past. Because of the bad reputation of the banks from the past, the majority of Myanmar citizens do not have a bank account (Thiha, 2015). Furthermore, the majority of the businesses do not use the internet as their main route to communicate with international customers. Hence, Myanmar's economy has had to play with a large informal banking system until now (Thiha, 2015). One of the challenges in banking reform in Myanmar is to move from cash-based transaction to the digital platform in the Internet system in order to catch up with the world. However, the critical factors leading to such change is unclear.

The Myanmar banking sector involved CBM (Central Bank of Myanmar), four state-owned banks, and twenty-three domestic private banks in 2004 (History, 2015). The CBM allowed the foreign banks to open their representative offices in Myanmar as a first stage. Only thirteen foreign representative banks opened with the permission of CBM in Yangon in late 2010 (History, 2015). Until end of June 2016, ten

foreign banks already got a license to open their branches in Myanmar (List of Foreign Bank Braches, 2015). According to the law of the CBM, the foreign banks have to make joint venture with the local bank. After that stage, they can establish their fully owned subsidiaries. Finally, foreign banks can open their own branches within Myanmar (Foerch, Ki, Thein, & Waldschmidt, 2015).

The network system in the banking sector has been implemented gradually among the Central Bank of Myanmar since January 2008 (History, 2015). The CBM and local banks (private and public banks) only use the network system via online in order to accomplish their task, such as sending official letters from CBM to private, making banking transaction clearance, and so on. The CBM monitors this online system for the stability of the financial sector and domestic banks. Aside from these tasks, CBM rarely used the online network system. However, since 2013, the CBM has become independent from the government, and it released some of their laws in order to increase the transparency and accountability to make improvements in the Myanmar financial sector (History, 2015).

### **2.1.2 Online becomes a playground**

Different online platforms become a playground for retailers, marketers, and consumers in various ways. Marketers are trying to build their brand's images, which will implement their brand value to the customer's value. Marketers use the various online platforms by engineering brand strategy to engage with the loyal customers. Marketers learn the customer experiences for different transaction and adapt in their marketing strategies.

Different online platforms also errand the marketers to be able to strategize for tailored needs for different customer segments and mass individualizations. However, the usage of online media for branding and marketing should not be simple to provide functional benefits and convenient ways to order and purchase the products. Still, the brands should use all brand building tools and methods and being not only restricted to what is capable of online media (Aaker, 2000). Online retailing can become a retailer and it can individualize for the specific customer needs. An effort to convert a web visitor to

a spending customer is like a dating process (Meyerson, 2014). No one is going to propose or accept for a marriage on the first date, yet it is exactly what most websites do by asking for their sales before first establishing the relationship. Meyerson claims that: 37% of interested prospects take zero to three months to become customers; 28% of interested prospects take three to six months to become consumers; 18% of interested prospects take six to twelve months to become customers; and 17% of interested prospects take more than a year to become customers. Of course, trust is the main factor to build a loyal customer base while security is also part of the trustworthiness concerned by the customers. Online retailing can be customized for these actions, which are verifying different touch points with the customers, learning customer experiences, and adapting most effective customer management strategies.

### **2.1.3 Review about Current Myanmar online shopping**

There are two types of Myanmar online shopping: Facebook online shopping pages and online shopping websites. At the moment, most of the online shopping is focused on fashion, cosmetics, electronic gadgets, and mobile handsets. The main reasons are only minorities of people are interested in high-end western brands and those who want to sell them try to sell via online shops as it will save a lot of cost for shop renting and staff hiring.

In Myanmar, more of the online shops are selling on Facebook pages rather than building a dedicated web portal because more than half of online users in Myanmar are using their mobile handsets rather than personal computers. Additionally, the management of Facebook pages is much easier than managing a web portal. Of course there is no cost to have a Facebook page. Online shopping, also known as E-shopping, is a form of electronic commerce, which facilitates consumers to buy goods or services directly from the retailers or sellers via the internet using a website.

Therefore, the current shopping practices in Myanmar, whether it can be via website or via Facebook pages, is within the definition of online shopping. However, the customers of online shops does not need to pay via online. They can pay the money at their collection time. There is a very brilliant future for Myanmar to have an excellent e-

banking system and e-commerce (Millar, 2015). Therefore, it is a big question mark to ask if electronic commerce, or e-commerce, is really happening in Myanmar. Table 2-1 shows the list of Myanmar online websites.

**Table 0.1:** Myanmar online shopping websites

URL	Category	Types of online shopping
<a href="http://www.kaymu.com.mm">www.kaymu.com.mm</a>	General	Website, Facebook
<a href="http://www.myanmaronlinestore.net">www.myanmaronlinestore.net</a>	General	Website, Facebook
<a href="http://www.yangonbay.com">www.yangonbay.com</a>	General	Website
<a href="http://www.shwe99.com">www.shwe99.com</a>	General	Website
<a href="http://www.yangononlinestore.com">www.yangononlinestore.com</a>	General	Website
<a href="http://www.shop.com.mm">www.shop.com.mm</a>	General	Website
<a href="http://www.myanmarblogshop.com">www.myanmarblogshop.com</a>	General	Website
<a href="http://www.myanmarcarsdb.net">www.myanmarcarsdb.net</a>	General	Website
<a href="http://ads.com.mm">ads.com.mm</a>	General	Website
<a href="http://www.dailymart.com.mm">www.dailymart.com.mm</a>	General	Website
<a href="http://www.zawgyimart.com">www.zawgyimart.com</a>	General	Website
<a href="http://omyanmar.com">omyanmar.com</a>	General	Website
S&M Online Mart	Fashion	Facebook
Miss Sweet	Fashion & Accessories	Facebook
Paris Online Shopping	Fashion	Facebook
Nova Myanmar Online Shopping	Fashion	Facebook
Myanmar Mobile Second Hand Market	Mobile	Facebook
<a href="http://Myanmarmusicstore.com">Myanmarmusicstore.com</a>	Music	Website
<a href="http://Shwelotterystore.com">Shwelotterystore.com</a>	Lottery	Website

Source: Own illustration

#### 2.1.4 Review of E-banking in Myanmar

E-banking systems, including both internet banking and mobile banking, let their bank customers accomplish their financial management on electronic devices such as computers, tablets, or mobile phones. E-banking will also reduce the transaction cost of the users. For example, it can shorten the required time dealing with paperwork. Moreover, E-banking will allow users to manage their finances in a more responsive and

efficient manner. Many experts from the banking sector believe that the booming of Myanmar's economy will happen by e-banking development within the country. Eventually, as it develops, e-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, according to Colin Thura Maung, assistant General Manager of the Strategic Planning Department of Ayeyarwady (AYA) bank, a private bank of Myanmar. Myanmar's banking industry is also requested to emphasize on the e-banking sector for the incoming multi-national corporation (MNC) in terms of their financial management (The Future of Banking in Myanmar, 2015).

Since the two new mobile telecom operators - Ooredoo and Telenor – play in the telecommunication sector in Myanmar, the number of smartphone users in the country increases together with their promotion and competition in late 2015 (Oxford Business Group, 2016). Meanwhile, the private banks take this advantage as their benefit to attract the public by offering their new mobile banking service, which is also an e-banking service. Since 2012, Myanmar private banks have supported ATM services to the public. AGD, Asia Green Development Bank, one of the private banks in Myanmar, allowed the bank user to pay their telecom bills, electricity bills, and online-remittance, which are also called e-banking services since a few years ago according to Thet Lwin Shwe, Chief Operating Officer of AGD bank. Furthermore, the CBM improved the banking sector by allowing the private banks to make inter-bank fund transfers by establishing the Myanmar Payment Union (MPU), known as National Payment Network and Switch. In addition, CBM made a lot of improvement in the banking sector by establishing the global networks by allowing VISA cards, Master Cards, JCP, and CUP with the corporative banks (Foerch, Ki, Thein, & Waldschmidt, 2015).

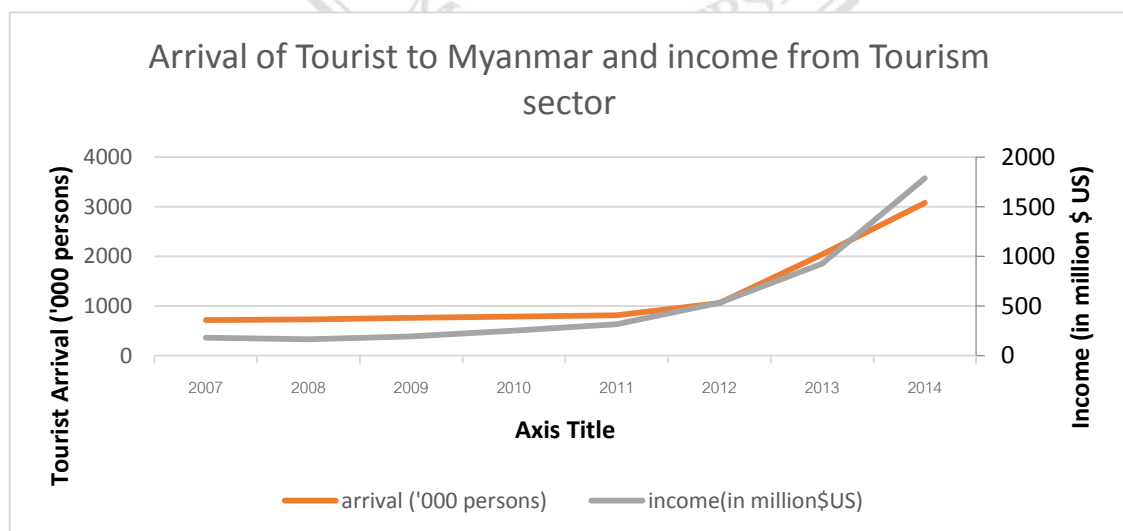
In order to be on track of the improvement in the banking industry, the lack of awareness of the changes and mistrust by the user make a huge obstacle. Myanmar has always been a cash economy, so most of the bank users do not encounter the benefits of using e-banking and time saved by switching to e-banking. However, there are quite a few customers who already have experience with e-banking from abroad. The overall customer attitude needs to change before e-banking can become truly popular. Another challenge is the security of online financial transactions. Currently, Myanmar government

has yet to pass laws regarding online/mobile banking. As a result, users cannot place complete trust in online banking because of lacking rules and regulations on card fraud and security. “Without regulatory framework, trust, security and consumer and business protection, the project of online banking could not be successful in Myanmar,” said by Colin Thura Maung, assistant General Manager of the Strategic Planning Department of Ayeyarwady (AYA) bank, one of the private banks in Myanmar (About Myanmar: Financial Service , 2016).

Although the e-banking in Myanmar is not on the right track yet, it has good potential to link together with the international banking sector by fulfilling the requirements of the customers. At this point, how the bank user accepts the innovative technology and how important is the trust in using E-banking for their business purposes and individual purpose should be examined.

### 2.1.5 Review of Tourism Industry in Myanmar

Yangon is the center of Myanmar, with development booming countrywide. Tourism has seen double-digit growth since 2011 with total arrivals of all types exceeding 3 millions in 2014 (Latest News Ministry of Hotel and Tourism, 2016).



Source: Myanmar Ministry of Hotel and Tourism (2015)

**Figure 0.1:** Tourist Arrivals and Income in Tourism sector (2007 to 2014)

According to the figure shown above, the number of tourists arriving to Myanmar increased dramatically starting from 2011, which is mainly because of civil government. The tourists can easily access a visa. Moreover, tourists can even get a visa on arrival. The income from the tourism sector also grew nearly triple in 2014 compared with 2012. However, the banking sector cannot fully support much to this tourism sector. In 2015, nearly 4.68million visitors entered Myanmar, which shows a 52% of increase than 2014.

There are 1361 hotels, 2196 tourism agencies and 936 transportation groups in Myanmar countywide (Latest News Ministry of Hotel and Tourism, 2016) in order to catch up with the growth rate of international tourism. Although Myanmar put investments in the infrastructure of the tourism sector, improvement in IT infrastructure is still lagging behind, which is also one of the main proxies. According to Millar (2015), in his research paper, 40% of three star hotels in Myanmar do not even have their own websites to attract global customers. Moreover, 94% of these hotels restrict their customers to pay in cash; they avoid to accept online payment and even cannot be paid by cards. Evenmore, 97% of Myanmar three star hotels avoid to improve their IT systems and mostly rely on third party websites such as Agoda.com, Booking.com, and so on. If so, a portion of their benefit goes to the third party agents because of lagging in e-banking service in Myanmar.

The adoption of e-banking service can make a huge impact on the development of the tourism sector in Myanmar. Therefore, the cooperation of the banks, internet supporters and regulators become vital for a big step of change in Myanmar's economy.

## **2.2 Review of the Technology Acceptance Model**

In this research paper, the user's intentional behaviour to use e-banking in a tourist attraction area, such as famous pagodas, hotels and restaurants, will be studied by using the modelling technique called TAM (Technology Acceptance Model) by Fred D.Davis (1986). The basic purpose of TAM is to provide a measurement for tracing the process of motivation through the mediator with the system on internal beliefs, attitude toward using

the technology. TAM was tested to hypothesize between design features, cognitive response<sup>1</sup>, affective response<sup>2</sup>, and behavioural response<sup>3</sup> of the system. Perceived usefulness has a strong significant impact on the behavioral intention according to the meta-analysis study about the previous TAM literatures (Lee, Kozar, & and Larsen, 2003) from 1986 to 2003. Out of 101 research, 74 papers indicated a strong correlation between them. However, the determinant of perceived ease of use have significant impact on the behavioral intention to use in only 53 papers. The original TAM showed partial significance to the model when it was surveyed in the longitudinal research (Davis, Bagozzi, & Warshaw, 1989). Davis revised the original TAM and it became more powerful after comparing the result among multiple groups of research. The improved TAM predicted and explained user behavior with the contribution of three main hypothesis, behavioral intention, perceived usefulness and perceived ease of use, ignoring the effect of attitude in the model (Davis, Bagozzi, & Warshaw, 1989).

In this paper, the trust factors have been added to the model according to Shumaila (2005). Trust has become the main determinant in e-commerce in order to attract the customer to use e-banking service; without building the trust, it can be impossible. Different degrees of adaptation in B2C<sup>4</sup> e-commerce shows how important the trust variable is for the customer to accept the new technology (Yousafzai, 2005). The determinant of trust cannot only be defined by e-banking service but the internet connection.

### 2.3 Question Formulation

The questionnaires for this research will be constructed to mostly rely on the literature review of relevant studies. Some consistent questionnaires were constructed. In order to develop the most suitable questionnaire for this paper, the following questions have to be asked.

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<sup>1</sup> Cognitive response = perceived ease of use and perceived usefulness

<sup>2</sup> Affective response = the attitude of the user

<sup>3</sup> Behavioral response = the actual use

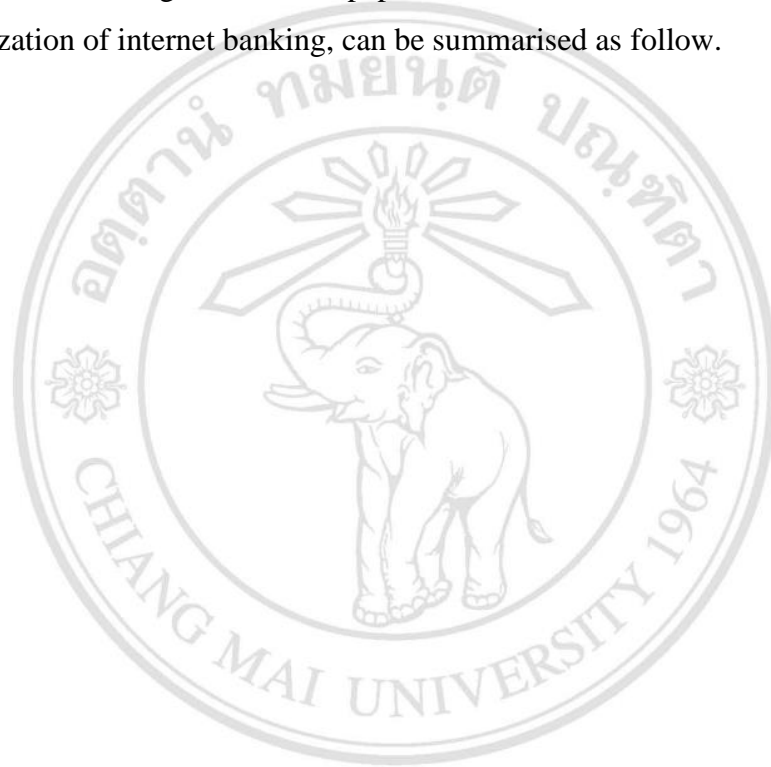
<sup>4</sup> B2C = Business to Consumer (meaning that there is a direct transaction between business and consumer)



- What kind of research has been done on internet banking in the tourism sector and TAM?
- How did the previous studies analyse and upon which factors?
- What were the contributions in the previous studies?

### 2.3.1 Construct Operationalization

After reviewing the relevant paper, the factors, which can mainly affect the customer utilization of internet banking, can be summarised as follow.



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**Table 0.2:** Construct Operationalization

Construct	ITEMs	Reference
Trust	E-banking is trust worthy E-banking do have benefits E-banking transaction is highly secured Personal information will be secured with related bank	(Kenneth B. Yap, 2010)
Perceived Usefulness	E-banking improve money transaction performance E-banking increase productivity in money transaction E-banking enhance effectiveness in money transactions	(Fred D. Davis, 1986)
Perceived Ease of Use	E-banking is easy to learn E-banking can fulfill the customer requirements It is easy to become a skillful e-banking user E-banking is easy to use	(Fred D. Davis, 1986)
Brand	To have a good reputation, there should be honesty Is about knowing their customer concern Will do its procedure right without following up by the Customers	(Kenneth B. Yap, 2010)
Using E-banking	It is a good idea to use e-banking I continuously intend to use e-banking Using e-banking is alluring to me Recommend to friends and colleaguse to use e-banking Expect improvement of e-banking user in the future	(Kenneth B. Yap, 2010)

Source: Own illustration

**Table 0.3:** Summary of Literature Review

Author(s)	Topic	Variables	Model	Results
(Dr. Mahmud Jasim Alsamydai, 2012)	The Factors Influencing Consumers' Satisfaction and Continuity to Deal with E-Banking Services in Jordan	service quality, personal factors, perceived usefulness, customer satisfaction, continuity to deal with e-banking services	TAM	The customer acceptance to use e-banking service continuously is a consequence of their satisfaction to the bank service as well as the ease of use and the usefulness
(Chau, 1996)	An Empirical Investigation on Factors Affecting the Acceptance of CASE by Systems Developers	Ease of use, long-term consequence, short-term consequence	TAM, Personal Computer Utilization Model	Ease of use has significant impact on CASE and also has long-term consequences
(Davis F. D., 1992)	Extrinsic and Intrinsic Motivation to Use Computers in the Workplace.	Perceived usefulness, Enjoyment	Comparison between two study	Not only usefulness but also enjoyment has strong impact on the user in To get the potential user, computer programs should design not only for the usefulness but also for the enjoyment of the user.
(Gefen D. , 2002)	Reflections on the dimension of trust and trustworthiness among online consumers	Trustworthiness, integrity, benevolence, ability	Hypotheses	In the e-commerce sector, trust is not only a single dimension, also a multidimensional factor to accept the technology

**Table 2.3:** Summary of Literature Review (continued)

Author(s)	Topic	Variables	Model	Results
(Igbaria, Iivari, & Maragahh, 1995)	Why do individuals use computer technology? A Finnish case study	Perceived usefulness (extrinsic motivation), perceived enjoyment (intrinsic motivation), ease of use	Exploratory research	Perceived usefulness has greater role in user behavior Perceived ease of use not only impact extrinsic but intrinsic, as well as actual use.
(Kenneth B. Yap, 2010)	Offline and online banking-where to draw the line when building trust in e-banking?	Trust, Customer service quality, electronic commerce	Hierarchical moderated regression analysis	To improve the trust in e-banking, not only the brand (size and reputation of the bank) but also the service quality will involve
(Parasuraman, Zethaml, & Berry, 1985)	A conceptual model of service quality and its implications for future research	Expected service, Perceived service, Perceived service quality	Conceptual service quality model	To attain perceived service quality, there are ten dimensions of customer expectation
(Rowley, 2006)	An analysis of the e-service literature, towards a research agenda	Characteristics of delivery system, differentiation of specific system and experience, customer perception of experience	Exploratory research	To explain the customer perception of experience on e-service, the experience is not the only one critical factor. The characteristic of e-banking delivery system should be taken into account

**Table 2.3:** Summary of Literature Review (continued)

Author(s)	Topic	Variables	Model	Results
(Wober & Gretzel, 2000)	Tourism Managers' Adoption of Marketing Decision Support Systems	Experience, task-related factors, user attitude, perceived ease of use, perceived usefulness, and actual use behavior	SEM	<p>The actual user behavior is mainly drive by the perceived usefulness and ease of use.</p> <p>The attitude of the user is significantly impact by the experience</p> <p>The experience, work related complexity and time pressure, also strongly impact tot the perceived usefulness</p>

Source: Own illustratio