

CHAPTER I

INTRODUCTION

A. Background

The development of the banking world is currently running very rapidly. This is much influenced by several factors, one of which is technological factors. Current technological developments in the banking world have become a necessity, where there are currently many customers who need efficient and fast facilities from the banking sector. This requires banks to continue to create new technologies to improve the quality of banking performance.

Understanding banking, Law of the Republic of Indonesia Number 10 of 1998, Article 1 paragraph (1) concerning Banking:

“Banking is everything that is of concern to the Bank, including institutions, business activities and ways and processes in carrying out their business activities”.

While in the technology-based banking sector, one of them is Internet Banking. According to Karen Furst, Internet Banking is the use of the internet as a long-distance shipping channel for banking services, including traditional services, such as opening deposit accounts or transferring funds between different accounts, as well as new banking services, such as presenting electronic bills and payments, which allow customers to receive and pay bills through the bank's website (Riswandi, 2005: 20).

With the rapid development of information technology and the internet world, the banking industry is required to be able to keep up with existing developments, one of which is through internet banking. By providing internet banking services, it is expected to be one of the main attractions for consumers in terms of convenience and security of transactions. In Indonesia, many commercial banks have been actively implementing internet banking

technology. Even though in the short term the company incurs significant investment costs, they hope that in the long run the company can carry out cost efficiency and improve the effectiveness of the company's performance.

According to Carlson (2000) whereas in the long run, the benefits of banks that are integrated with internet banking services, banks can compete in new markets, gain more access to new customers and develop existing market shares. The development of banking technology makes it easier and cheaper for customers to compare products offered and to build banking relationships that are closer to customers.

Internet Banking was implemented for the first time in Indonesia in 1998 by Bank International Indonesia. Since then, several banks in Indonesia have begun to follow and to develop Internet Banking features in their banking activities. Banking and customers feel that with Internet Banking or Online Banking, it will make it easier for customers and banks to conduct any transaction activity easily, quickly and practically. According to Infobanknews.com, until the end of 2016, confidence in online banking reached 70.4 percent or reached 93.4 million people.

Some banks speculate that with the presence of Internet Banking, banks will benefit more in terms of income than banks that do not have Internet Banking. This is because with Internet Banking, it will reduce the number of paper expenses when making transactions at the bank. Besides, more customers will often conduct banking transactions anywhere and anytime, without having to wait for the bank to open. With the existence of Internet Banking, banks can be said to be more advanced in satisfying customers to make transactions. Even in this globalization era, many prospective customers prefer to register as customers in banks that have used Internet Banking.

Another benefit that can be felt by the community with the internet banking service is that they can conduct financial transactions using only the internet network, such as transferring funds to others or other banks, paying electricity, telephone or credit card bills, transferring accounts to get exchange rate information foreign. Besides, many internet banking services can be

accessed for 24 hours, which makes it easy for customers to make financial transactions without having to go to a bank or ATM.

This topic was raised by researchers because there was not much research conducted in Indonesia. The researcher wants to prove the influence of internet banking services provided by banks in Indonesia with ROA (Return on Assets).

B. Research Problem

The problems of the research on the impact of internet banking on bank performance in Indonesian are:

1. Is there any effect of the difference between Internet banks and non-Internet banks on Bank Performance?
2. Is there any effect of the bank Size on Bank Performance?
3. Is there any effect of the Equity on Bank Performance?
4. Is there any effect of the Loans on Bank Performance?
5. Is there any effect of the Operating Cost on Bank Performance?
6. Is there any effect of the Spread on Bank Performance?
7. Is there any effect of the State-owned Banks on Bank Performance?
8. Is there any effect of the Inflation on Bank Performance?

C. Research Objectives

The purpose of the research on the impact of internet banking on bank performance in Indonesian are:

1. To analyze the differences between Internet banks and non-Internet banks on Bank Performance.
2. To analyze an effect of the bank Size on Bank Performance.
3. To analyze an effect of the Equity on Bank Performance.
4. To analyze an effect of the Loans on Bank Performance.
5. To analyze an effect of the Operating Cost on Bank Performance.

6. To analyze an effect of the Spread on Bank Performance.
7. To analyze an effect of the State-owned Banks on Bank Performance.
8. To analyze an effect of the Inflation on Bank Performance.

D. Benefit of Research

This research is expected to be able to provide benefits to various parties including:

1. For Researcher

This research is expected to be a means to apply the theories that have been learned during the course of the lecture process and add broad insight into Internet Banking performance for banks in Indonesia.

2. For Banks

Can be a source of information for companies to determine what strategies should be used in improving the quality of companies in the banking sector for customers.

3. For Reader

It is expected to be a source of knowledge and information about Internet Banking performance for banks in Indonesia, and can be a reference for similar future studies.