Digital Bank: The Role of Corporate Reputation in Driving Adoption Digital Banking of Traditional Banks on A Different Generation

Ihwan Sutardiyanta[1] , Ratih Hurriyati [2] ,
and Heny Hendrayati [3]

[1,2,3] Universitas Pendidikan Indonesia, Bandung, Indonesia
ihwans@upi.edu

Abstract. This research focuses on the role of corporate reputation in influencing the X and Millennial Generations adoption of digital banking services. This study aims to examine how ease of use and government/regulatory support influence the adoption of digital banking services through corporate reputation as intermediaries. This quantitative study uses a survey approach and path analysis to test the relationship between ease of use variables, government support, and corporate reputation variables as moderating variables in digital banking adoption. The study population consists of X and Y Generations in Indonesia and uses a purposive sampling technique of 100 samples. This study concludes that perception of usability directly influences usage intention, but company reputation does not strengthen this relationship. Government support has no direct influence on the intention to use digital banking. The contribution of this research lies in understanding the dynamics between these factors and the adoption of digital services, as well as the practical implications for effective digital banking strategies.

Keywords: Corporate Reputation, Digital Banking, Generation X and Y, Traditional Bank.

1   Introduction

The global phenomenon related to digital banking trends has become the main focus in transforming the modern financial industry. Data collected by mobile banks [1] in collaboration with Accenture states that 1 in 4 customers already use digital-only banks. In the 28 countries surveyed, consumers with digital bank accounts make up 23% of the population, totaling an estimated 450 million individuals. The swift increase in digital banking adoption highlights the need to understand the factors that shape consumer behavior in choosing and utilizing these services. Amidst this trend, company reputation is crucial because it influences customer trust, a key element in user decision-making regarding digital banking services [2, 3]. However, research that reveals the relationship between company reputation and digital banking adoption is still limited,

especially concerning consumers from the X Generation, who may have different preferences and perceptions.

Previous research explored factors such as ease of use in digital banking adoption. Windasari [4] found that perceived ease of use is an essential factor influencing the adoption of digital banking among Y and Z Generations. However, Tanuwijaya and Oktavia [5] observed that for the X Generation, perceived ease of use does not significantly affect their intention to use digital banking because the X Generation considered digital banking to be not as easy as offline banking. There is a gap in understanding corporate reputation's role in linking these factors to the level of adoption of digital services. N26 Bank and Accenture [1] stated that a lack of familiarity with digital banking is a significant barrier for consumers. Transaction security is also important, as perceptions of security influence users' readiness to participate in online banking. Banks must manage security perceptions well to help customers switch to online banking. By strengthening understanding of how variables such as ease of use and government/regulatory support influence digital banking adoption through corporate reputation, this research can make an important contribution to digital banking literature and practice.

This research explores in greater depth how factors like ease of use and government or regulatory support influence the adoption of digital banking services, with corporate reputation as a moderating factor. By doing this, this research aims to provide deeper insight into the factors that influence consumer behavior in choosing and using digital banking services, as well as their impact on their perception of a company's reputation.

2   Methods

This research is quantitative research that uses a survey or field study approach. This research tries to measure the relationship between predetermined variables [6]. This approach involves collecting data through surveys or questionnaires distributed to respondents from the X Generation (born 1965-1980) and the Millenial Generation (born 1981-1996). The collected data will be analyzed using statistical methods to test all hypotheses outlined in this research plan.

The population of this research is all X Generation and Millenial Generation digital bank users. Meanwhile, the collection technique is carried out through purposive sampling. Purposive sampling is defined as selecting respondents who are most likely to offer relevant and valuable information. [7]. The population size is not known with certainty. The sample that was used is 100 samples. This research uses the method suggested [8] to determine a representative sample size: calculating the number of formulated indicators between 5 and 10. The required minimum sample size for this study was set at 80.

Specifically, this research uses a path analysis model with moderator variables. Moderation is essential in research examining how individual differences or situational factors can influence the strength of the relationship between a predictor and an outcome. For instance, research has shown that the impact of life events on illness can differ depending on a person's personality traits [8, 9]. This tool examines the relationship between these variables and determines if corporate or bank reputation moderates the

connection between the ease of use perception factor to the adoption of digital banking. The research framework for this study is presented in Figure 1.
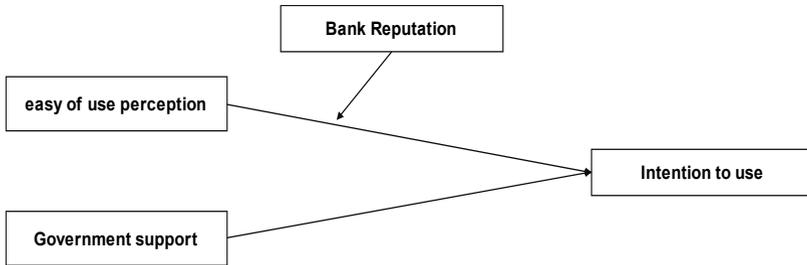

Fig. 1. Framework research.
Source: Data processed by researchers.

3 Results and Discussion

3.1 Results

Validity Test.

To evaluate the validity of the indicators, factor loading is used for convergent validity, and Average Variance Extracted (AVE) is used for discriminant validity for discriminant validity. Based on the results from Smart PLS data analysis, the Corporate Reputation variable showed an AVE of 0.816 for the X Gen sample and 0.759 for the Millennial sample, Ease of use Perception with an AVE of 0.744 in the X Gen sample and 0.670 in the Millennial sample. Government Support has an AVE score of 0.787 in the X Gen sample and 0.841 in the Millennial sample, and Intention to Use has an AVE value of 0.569 in the X Gen sample and 0.598 in the Millennial sample. Since all variables achieved a score above the minimum AVE threshold of 0.5, it can be concluded that they fulfill the criteria for discriminant validity and are thus considered valid.

Reliability Test.

Reliability testing is used to assess how consistently respondents answer questions in questionnaires or research instruments. This test involves two main methods: composite reliability and Cronbach's alpha. A reliability value should typically exceed 0.7, though values down to 0.6 are sometimes acceptable. Cronbach's alpha offers a minimum estimate of a construct's reliability, whereas composite reliability represents the true reliability value of the construct [10]. However, composite reliability is considered better.

According to the internal consistency analysis data in Table 1, all variables scored above 0.60 in both the X and Millennial Gen samples. So, all variables in the entire sample are reliable.

Table 1. Composite reliability test.

	Composite Reliability	
	X Gen	**Millennial Gen**
Corporate Reputation	0,930	0,904
Ease of use Perception	0,920	0,890
Government Support	0,917	0,941
Intention to Use	0,838	0,854
Moderating Effect 1	1,000	1,000

Source: Author's work, 2024.

R Square Test.

In PLS, the structural model is assessed using several metrics, such as R^2 for the dependent construct, the Stone-Geisser Q-square test to evaluate predictive relevance, and the path coefficient or t-value for each path to determine the significance of the relationships between variables. R^2 indicates how much the independent variable explains the variation in the dependent variable. A higher R^2 value indicates the research model's more robust predictive power. R^2 values between 0.34 and 0.67 are considered to reflect a "good" model, those between 0.20 and 0.33 represent a "moderate" model, while values from 0 to 0.19 indicate a "weak" model [11].

In Table 2, the R^2 value for the Intention to Use variable in the X Gen sample is 0.542, indicating that Ease of Use Perception and Government Support account for 54.2% of the influence on Intention to Use. The R^2 value obtained by the Intention to Use variable in the Millennial sample is 0.493, indicating that Ease of Use Perception and Government Support contribute to 49.3% of the influence on Intention to Use. The R^2 value of 0.542 for the X Gen sample and 0.493 for the Millennial sample suggests that the structural model effectively explains variations in the Intention to Use variable.

Table 2. R^2 test results.

	X Gen		Millennial Gen	
	R Square	**R Square Adjusted**	**R Square**	**R Square Adjusted**
Intention to Use	0,542	0,504	0,493	0,445

Source: Author's work, 2024.

Hypothesis Test.

Direct influence hypothesis testing aims to test whether one variable directly affects another without any moderation. A positive path coefficient indicates that as one variable increases, the other also increases. On the other hand, a negative path coefficient suggests that an increase in one variable results in a decrease in the other. If the P-value exceeds α (0.05), H0 is accepted, indicating that the relationship between the variables is not statistically significant.

In Table 3, for the X Gen group, the Ease of Use Perception shows a significant direct effect on the Intention to Use, with a positive path coefficient of 0.534. This means that as Ease of Use increases, the intention to use also rises. The result is

supported by P-values (0.000) below the significance level of 0.05, confirming the acceptance of H1. However, the indirect effect of Ease of Use on Intention to Use through Corporate Reputation is not significant (P-value: 0.784), meaning Corporate Reputation doesn't play a role here. A similar pattern is found in the Y Gen (Millennial) sample, where the direct effect of Ease of Use Perception on Intention to Use is also significant, with a path coefficient of 0.601 and P-values (0.001) < 0.05, so H1 is accepted again. However, the moderated effect of Ease of Use through Corporate Reputation on Intention to Use is not significant either (P-value: 0.313).

Table 3. The hypothesis of direct influence

	Original Sample (O)		P Values	
	X Gen	Y Gen	X Gen	Y Gen
Corporate Reputation -> Intention to Use	-0,006	-0,013	0,969	0,940
Ease of use Perception -> Intention to Use	0,534	0,601	0,000	0,001
Government Support -> Intention to Use	0,317	0,226	0,072	0,098
Moderating Effect 1 -> Intention to Use	0,040	0,189	0,784	0,313

Source: Author's work, 2024.

For both X Gen and Y Gen samples, Government Support does not significantly affect Intention to Use. P-values of 0.072 and 0.098 are above the 0.05 threshold, leading to the rejection of H3 and H4. This indicates that Government Support doesn't significantly impact the Intention to Use in either group.

3.2   Discussion

The Impact of Ease of Use Perception on Intention to Use.

Based on Table 3, both the X and Y Gen groups show a significant direct effect of Ease of Use Perception on their Intention to Use, with path coefficients of 0.534 and 0.601, respectively. This suggests that as the perceived ease of use increases, so does the intention to use digital banking. The P-values for both groups, below the significance threshold of 0.05, further confirm this finding. Analyzing the responses from 100 participants, the majority agreed or strongly agreed with the statement on Ease of Use Perception. Therefore, it can be concluded that how easily digital banking is perceived plays a key role in influencing the intention to use it, especially among both X Gen and Y Gen (Millennial) groups. These results align with previous research by Gultom et al. [12], which found that perceived ease of use directly impacts the intention to use a technology. Users often associate ease of use with factors such as flexibility, simplicity, and a user-friendly interface [13].

Corporate Reputation Enhances the Connection Between Ease of Use Perception and Intention to Use.

In both the X Gen and Y Gen or Millennial samples, the effect of Ease of Use moderated by Corporate Reputation on Intention to Use shows positive path coefficients of 0.040 and 0.189, respectively. However, the P-values (0.784 and 0.313) surpass the significance threshold of α (0.05), suggesting that Corporate Reputation does not enhance the relationship between Ease of Use Perception and Intention to Use across the samples. Various factors may explain why Corporate Reputation fails to strengthen the Intention to Use. First, respondents, on average, have used Digital Banking from banks with a large reputation. Therefore, when asked about the contribution of Corporate Reputation, they may not pay too much attention to this because they already have trust in the Digital Banking services they use. Second, this statement may not bother respondents too much because they are already used to using Digital Banking and have adequate user experience. These findings align with research by Gultom et al. [12], which suggests that when another variable moderates perceived ease of use, that variable does not necessarily strengthen the relationship.

The Influence of Government Support on the Implementation of Intention to Use.
In the X Gen sample, the direct impact of Government Support on Intention to Use Digital Banking shows a positive path coefficient of 0.317, implying that higher Government Support will result in a greater Intention to Use. However, P-Values (0.072) > α (0.05) indicate that this effect is not significant. A similar thing happened in the Gen Y or Millennial sample, where the direct effect of Government Support also had a positive path coefficient (0.226), but P-Values (0.098) > α (0.05), indicating insignificance. One possible reason for the insignificance of this variable is the high level of public awareness and education regarding the benefits and security of digital banking services. Although regulations may have been established to promote these services, Ochuko et al. In 5 out of 6 countries, government regulation is a key factor driving the adoption of Internet banking. Additionally, public awareness of the benefits and security of these services has grown, with the community being educated by their respective service providers. Also, establishing trust and a sense of security when using digital banking services is an important factor influencing usage intentions.

4   Conclusions

The research findings suggest that Ease of Use Perception directly influences the Intention to Use Digital Banking for both X and Y Gen (Millennials). While Corporate Reputation plays a significant role in shaping the intention to use Digital Banking, it doesn't strengthen the connection between Ease of Use and the intention to use Digital Banking in either group when acting as a moderating factor. Lastly, Government Support does not significantly impact people's intention to use Digital Banking.

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