

# Impact Of Service Quality Of Internet Banking On Customer Satisfaction In Thanamalvila Regional Area.

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## ABSTRACT

*Internet banking still remains as the coherent and most cost effective channel for the banks as well as for customers. A significant feature of online Banking or the internet banking permits customers to access their bank accounts 24/7, which is a new experience and intrinsically motivating. Service Quality is the main factor that determines the success or failure of internet banking. Inability to measure the service quality is detrimental to the growth of the internet banking. Customers tend to demand equal or higher levels of service quality based on on-line than the traditional services. In this context, the research was carried out to identify the Impact of service quality of Internet Banking on customers' satisfaction in the selected state banks in Thanamalvila regional area in Sri Lanka.*

*The study was carried out with four dimensions as reliability, efficiency, responsiveness, security to measure the service quality of internet banking and two dimensions to measure the customer satisfaction as customer loyalty*

*and customer attitude. Data were collected using questionnaire from 50 samples of employees in the state banks.*

**Key words:** *service quality, customer satisfaction, internet banking, online banking.*

## 1. Introduction

### 1.1 Background of study

One of the most recent channels of distribution to be used in the financial services organizations is internet banking. This method was established in the mid-1990s, thereafter steadily became more important. Once the branch offices of bank are interconnected through satellite links, there would be no physical identity for any branch. It would be a borderless entity permitting anytime, anywhere and anyhow banking.

### 1.2 Problem Statement

Internet banking is no longer a phenomenon but rather a pre-requisite for the banking sector envisioning as the most comprehend mode of future banking. Internet banking still remains as

the coherent and most cost effective channel for the banks as well as for customers. A significant feature of online Banking or the internet banking permits customers to access their bank accounts 24/7, which is a new experience and intrinsically motivating.

Service Quality is the main factor that determines the success or failure of internet banking. Inability to measure the service quality is detrimental to the growth of the internet banking. Customers tend to demand equal or higher levels of service quality based on-line than the traditional services.

In this context, the research problem for this study is identified as **“What is the level of impact of service quality of Internet Banking on customers’ satisfaction in Thanamalvila regional area?”**

### 1.3 Research Questions

Based on the research problem identified above and literature review the following research questions are raised for the study.

- i. What is the level of service quality of Internet Banking in Thanamalvila regional area?
- ii. What is the level of impact of each of the dimensions of Internet banking service quality, on customer satisfaction?

- iii. What is the level of impact of overall internet banking service quality on customer satisfaction?

### 1.4 Objectives of the study

Based on the main research problem and the research questions raised above the following objectives are set for this study.

- i. To find out the level of service quality of Internet Banking in Thanamalvila regional area.
- ii. To ascertain the impact of each of the dimensions of Internet banking service quality on customer satisfaction.
- iii. To ascertain the impact of overall internet banking service quality on customer satisfaction
- iv. To investigate how the service quality of Internet Banking varies with demography of the customers in Thanamalvila regional area.
- v. To examine how the selected banks perform on the basis of quality of services.

### 1.5 Significance of the study

This study attempts to provide a better empirical understanding of the impact of service quality of Internet banking on customer satisfaction in Thanamalvila regional area.

This study also tries to investigate the factors affecting the service quality of internet banking in terms of selected variables for service quality

of internet banking in the area. Internet banking users need to have the necessary awareness and knowledge about internet banking technology and in what ways it satisfy their ultimate objectives in an excellent manner is the most critical aspect in the success of internet banking technology. Therefore, this research energizes the customers who are dealing with banks transaction and knowledge of Internet Banking in Thanamalvila regional area.

### **1.6 Scope of the study**

This research was confined to the Thanamlvila regional area, the two branches namely Peoples Bank, Bank of Ceylon, situated in the area are selected for the survey. It investigate the relationship between only the service quality of internet banking and the customer satisfaction assuming other factors which determine the customer satisfaction , are being constant.

## **2 Literature Review**

### **2.1 Defining Internet Banking**

Internet bank is a modern system that is going beyond the traditional banking systems. Daniel (1999) defines internet banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. According to the Daniel

(1999) there are basic ground rule to do internet banking such as personal computers and internet connection. Also internet banking changes the traditional banking system into space. Internet banking as an "internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments". With the exception of cash withdrawals, internet banking gives customers access to almost any type of banking transaction at the click of a mouse.

### **2.2 Online service quality**

It is apparent that online service (e-service) is the web-based service delivered over the internet which is different from traditional service delivering. In other words, the delivering of online service depends on the information which is first gathered from consumers and then analyzed. As such, the needed and customized service can be offered. With the rapid development of information technology, online service offering has already changed the behavior and habit of people in their daily life, especially means of communication between firms and consumers.

### **2.3 Service quality in online banking**

Nowadays, with the increasing importance of the information and communication technology, especially for financial services, researchers and

managers have become interested in service quality measurement of online banking services.

Different researches have been done regarding different contexts.

For example, according to the research carried out by Jun and Cai (2001), they developed the scale for online banking service quality measurement divided into three main categories using content analysis: customer service quality, online system quality as well as banking service product quality.

#### 2.4 Customer satisfaction

The customer satisfaction is defined as a judgment that a product or service feature, or the product or service itself, provide (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment. Moreover, customer satisfaction is considered to be one of the most important competitive factors and will be the best indicator of a company's profitability. In

addition, customer satisfaction will drive company to improve their reputation and image, to reduce customer turnover, and to increase attention to customer needs. Such actions will help company create barriers to switching, and improve business relationships with their customers.

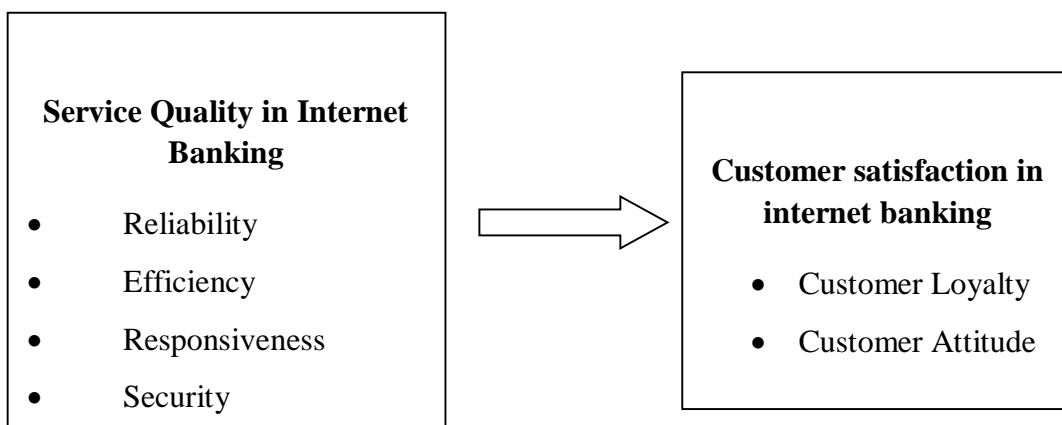
### 3 Conceptualization and Operationalization

#### 3.1 Conceptualization

Conceptual frameworks are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions and find suitable literature.

The Following Concepts and variables identified in the research problems are conceptualized for the purpose of identifying the operational definitions of the concepts. Figure 3.1 shows the conceptual framework developed by the researcher for this study.

**Table 3.1 Conceptual framework**



### **3.2 Service quality in internet banking**

Service quality as the inconsistency between customers' expectations for the service and their perceptions of service presentation.

When customers make purchasing decision for a service or a product, service quality of the service or product is a key factor to affect customers' decision making. Customers will measure service quality by comparing expected service quality and perceived service quality.

### **3.3 Reliability**

Reliability as an ability to achieve the promised service reliably and accurately, it means reliability is the capacity of service organization performs a service truthfully. And reliability is ability to provide the service on time accurately and dependably. It includes the degree of freedom, danger, risk and doubt. It also recommends the service organization performs should be based on service promise (Parasuraman et al. 2002).

### **3.4 Efficiency**

Jun (2001) defined transactions efficiency is the ability of the customers to enjoy a service or product to find their desire information and transaction with minimal errors and fast. Transaction efficiency as a key factor to attract customers, because high efficiency of transaction can save money and time for

customers. Customers prefer fast and accurate transaction to improve their life or business to make it more convenient and comfortable.

### **3.5 Responsiveness**

It refers to willingness to help customers and provide prompt service. Zeithaml (2002) described responsiveness as an ability to solve customer's problems during service process. It includes the employees' skills and companies operation.

### **3.6 Security**

Johnston (1997) described service security as the basic requirement of business and service. It always is considered by customers. It can affect companies' reputation and public relationships with customers. High service security can reduce customers' worry and improve companies' image in customers' mind. It consists of employees who instill confidence in customers, making customers feel safe in their transactions, employees who are consistently courteous and employees who have the knowledge to answer customer question.

### **3.7 Customer satisfaction**

Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation. Zeithaml,(2002)

Customer Satisfaction has been recognized as an important element that drives customer retention, loyalty and post-purchase behavior of customers. It is well documented that the measurement of Customer Satisfaction regarding the service quality of firms is a necessary means by which organizations delve into the minds of its customers for useful feedback that could form the basis for effective marketing strategy.

### **3.8 Customer Loyalty**

When a customer more satisfied with a firm quality of services, customers conveyed positive word of mouth and recommend the firm series to other potential and prospective customers. They also come back more frequent to the firm to buy or in other words, the propensity to repeat purchase was very high. In addition satisfied customer were loyal to the firm even though they were offered better perks, discount and other promotional incentives by competitors. Satisfied customers are loyal and hard to defect by competitors. These customers also will avoid spreading disappointing experience to others.

### **3.9 Customer attitude**

An attitude in marketing term is defined as a general evaluation of a product or service formed over time. It is defining consumer attitude simply as a composite of a consumer's

beliefs, feelings, and behavioral intentions toward some object within the context of marketing. Customers that are satisfied with a product or business have an overall good perception of that product, when consumer perception is good; they continue purchasing goods from particular company. Consumer perception is based on feeling.

## **4. Methodology**

### **4.1 Introduction**

This methodology part attributes how the research has been conducted to understand the impacts of service quality of Internet banking on customer satisfaction. Questionnaire is issued to the Internet banking users in Thanamalvila regional area. This methodology part of the research study mainly focuses on discussing those research methods and techniques used by the researcher while justifying the reasons for use those methods. As a very important element of a research study data collection method, tools and the sampling techniques are discussed after the research design. Then the researcher describes the data analyzing methods that are used to find the answers to the research questions. Data presentation methods are also explained.

### **4.2 Study population**

Study population for this research identified as Internet banking customers in town area of Thanamalvila regional area.

### **4.3 Sampling Technique**

In order to collect the data convenient sampling technique has being applied. Therefore questionnaires were distributed among the respondents who were living in the Thanamalvila regional area in a convenient way without any further filtering.

### **4.4 Sample Size**

Total numbers of 50 respondents were selected in order to collect the data required for the study. In this study sample size of 50 internet banking customers has been chosen from the two commercial banks (People's Bank, and Bank of Ceylon) in town area of Thanamalvila regional area to conduct the study.

### **4.5 Data collection**

Internet banking users participating in the study provided contact information and consent to participate in the study. The data was collected from the selected sample over a period of two weeks. The data related to the selected sample was collected using the questionnaire method.

### **4.6 Methods of Measurements**

The variables in the research model (Personal information, Service quality of Internet banking, customer satisfaction) were measured through

questionnaires with seven point Likert Scales which were completed by the respondents themselves appropriately as they perceived respond to each and every questions.

### **4.7 Method of Measuring the Personal information**

Personal information of Internet banking users was measured by the use of questionnaire, which was developed by the researcher. It was measured under 06 indicators as follows.

1. Age Level
2. Gender
3. Educational Level
4. Monthly income Level
5. Time duration of using Internet banking
6. Name of the Bank

## **5. Data Presentation**

### **5.1 Data presentation for personal factors**

First of all the personal information of the respondents were presented using frequency distributions. The frequency distribution for each and every item was expressed in percentage and presented in frequency table.

### **5.2 Data presentation for service quality of Internet banking and customer satisfaction**

The frequency distribution was presented individually for each indicators of service

quality of Internet banking and customer satisfaction

### **5.3 Method of Data Analysis**

According to the characteristics of gathered data, it was analyzed. The quantitative data analysis function was facilitated by statistical package for social science (SPSS) 19<sup>th</sup> version. And used following methods,

### **5.4 Mean**

For the most important measures of central tendency is by the arithmetic mean usually denoted by  $\bar{x}$  the arithmetic mean.

### **5.5 Standard deviation**

The standard deviation is an absolute measure of dispersion and it is used to indicate dispersion of variables.

### **5.6 Simple regression Analysis**

The Simple Regression Analysis was used in this research to determine the functional relationship between a Dependent Variable and an Independent Variable (a predictor) for the purpose of prediction and making other inferences. It analyzed the following three main aspects.

1. The relationship between a Dependent Variable and an Independent Variable (a predictor)
2. The strength of the relationship

3. Statistical significance of the relationship

Hence, the Simple Regression Analysis was made to determine the functional relationship between the following set of a Dependent Variable and an Independent Variable. (“Impact of service quality of Internet banking and customer satisfaction”)

### **5.7 Methods of data evaluation**

Both independent variable and dependent variable in the research model (service quality of Internet banking and customer satisfaction) was measured by the use of questionnaires with seven point scales. The seven point scales for the variables of service quality of Internet banking and customer satisfaction ranged from “Perfectly Disagree” to “Perfectly Agree” with the points of 1 to 7 respectively for the positive statements order.

The mean value lies between 1– 7 of these seven point scales. Hence, this mean value was taken as the deciding factor, which determined whether the respondents are in favor to the particular variable or not. However, the degree of the results of the measurement of these variables, i.e., the Average Score, was interpreted with the decision rules in the following way for each and every variable.



**Table 5.1 Decision attributes**

Range	$1 < X \leq 3$	$3 < X \leq 5$	$5 < X \leq 7$
Decision attributes	Low level	Moderate level	High level

The criteria in the table describes the attributes of population in relation to particular variable by considering aggregation of scales provided for each and every item of the respective variable in questionnaire.

This presentation of data collected for this study by the use of questionnaires, and the analysis of the data.. The Cronbach’s Alpha Test was done to ensure the reliability of the instrument. As the univariate analysis, the frequency distribution analysis was made for every variable in the research model.

## 6. Data Presentation and Analysis

### 6.1 Introduction

### 6.2 Analysis of Reliability of the Instruments

**Table 6.1 Cronbach’s Alpha Coefficients**

Instruments	Cronbach’s Alpha
Reliability	0.792
Efficiency	0.831
Responsiveness	0.853
Security	0.792

(Source; survey data)

The inter item consistency reliability was examined with Cronbach’s Alpha test. The results of Cronbach’s alpha test are given in the above table, which suggest that the internal reliability of each instrument is satisfactory.

The data were collected on the following personal characteristics of respondents:

### 6.2 Frequency Distribution Analysis of respondents by their Personal Characteristics

- i. Age Level
- ii. Gender
- iii. Educational Level
- iv. Income Level
- v. Time period of using Internet Banking
- vi. Name of the Bank

#### Age Level

Table 6.2 Age level of Respondents

Years	Frequency	Percent
18-27 Years	25	50%
28-37 Years	13	26%
38-47 Years	9	18%
Above 47 Years	3	6%
<b>Total</b>	<b>50</b>	<b>100</b>

(Source; survey data)

According to the table and figure majority of the sample are represent by the age level between 18-27 years and it is 50% of the sample. Lower representation is in the age level of above 47 years. (6%)

### Gender

Table and figure show the gender distribution of the sample. That indicates males are representing higher proportion of the sample (58%) and females are only representing 42%.

Table 6.3 Gender of Respondents

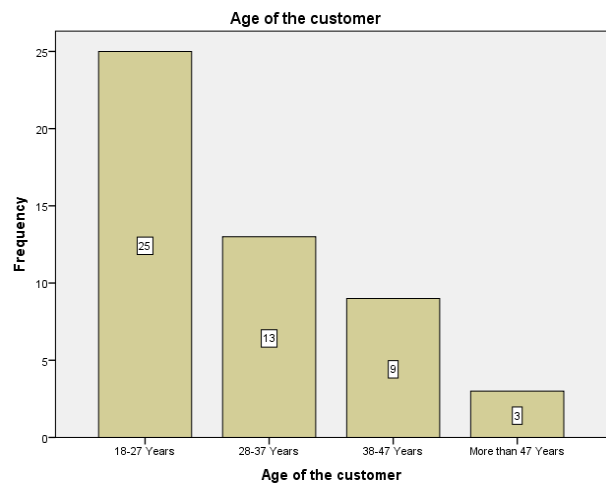
Gender	Frequency	Percent
Male	29	58
Female	21	42
<b>Total</b>	<b>50</b>	<b>100</b>

(Source; survey data)

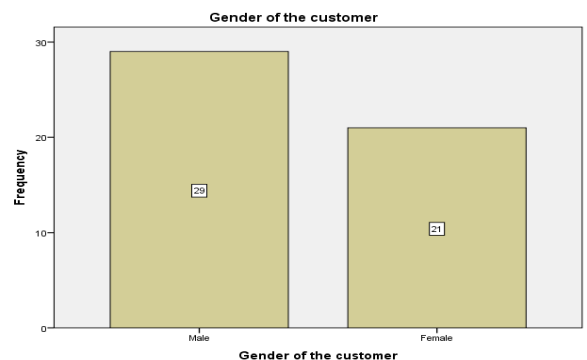
### Educational Level

According to the table and figure highest number of respondents is having GCE A/L qualification (91) and 43 customers having GCE O/L. 42 customers have any other degree/ diploma and only 14 customers are in below GCE O/L.

Age Level of Respondents



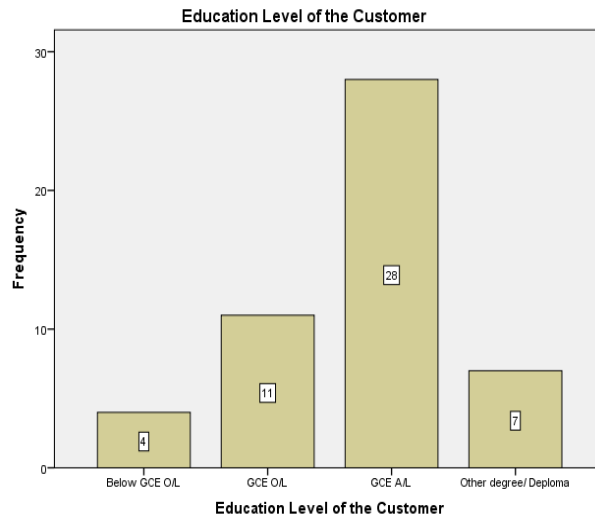
(Source; survey data)



(Source; survey data)

Table 6.4 Education Level

Education Level	Frequency	Percent
Below GCE O/L	4	8
GCE O/L	11	22
GCE A/L	28	56
Any Other Degree/ Diploma	7	14
<b>Total</b>	<b>50</b>	<b>100</b>

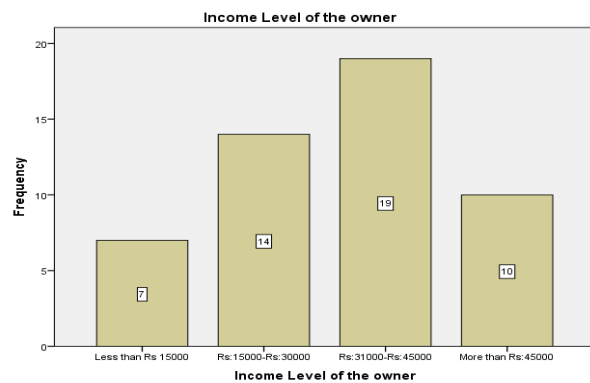


(Source; survey data) (Source; survey data)

Table 6.5 Monthly Income Level

Income Level	Frequency	percent
Less than Rs 15000	7	14
Rs 15000- Rs 30000	14	28
Rs 31000- Rs 45000	19	38
More than Rs 45000	10	20
<b>Total</b>	<b>50</b>	<b>100</b>

Monthly Income Level



(Source; survey data)

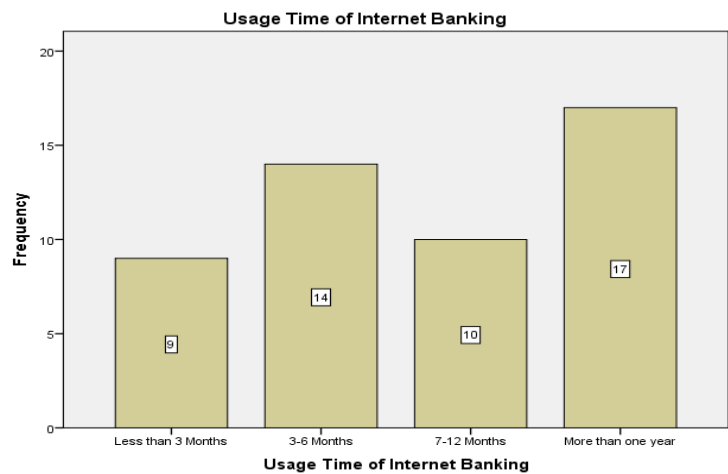
(Source; survey data)

**Time period of using Internet Banking**

**Table 6.6** Time Period of using IB

Time Period	Frequency	percent
Less than 3 Months	9	18
3-6 Months	14	28
7-12 Months	10	20
More than one Year	17	34
<b>Total</b>	<b>50</b>	<b>100</b>

Time period of using IB

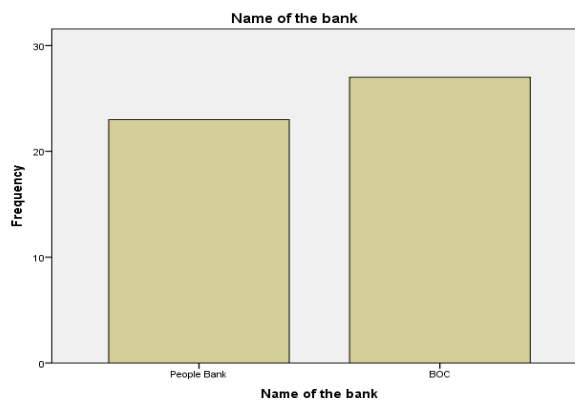


(Source; survey data)  
Bank

(Source; survey data)

**Table 6.7** Name of the bank

Bank	Frequency	Percent
People Bank	23	46
BOC	27	54
<b>Total</b>	<b>50</b>	<b>100</b>



(Source; survey data)

(Source; survey data)

### Mean and Standard deviation for Service Quality of Internet Banking

Researcher analyzed the average service Quality by using descriptive statistics of mean and standard deviation of Service Quality of Internet Banking.

**Table 6.8** Mean and Standard Deviation of Service Quality of Internet Banking

	Reliability	Efficiency	Responsiveness	Security
Mean	5.8667	6.1600	5.8667	6.0500
Std.deviation	0.75593	0.42185	0.94281	0.78083

**(Source; survey data)**

According to the above table Mean values of the Reliability, Efficiency, Responsiveness, and Security are in high level average as 5.8667, 6.1600, 5.8667, and 6.0500 respectively. Efficiency has higher mean value comparatively to other dimensions. That means the Internet Banking users who are in Thanamalvila regional area perceive efficiency of their Internet banking services are very high.

**Mean and Standard deviation for Customer Satisfaction**

Researcher analyzed the average level of customer satisfaction by using descriptive statistics of mean and standard deviation of customer satisfaction.

**Table 6.9 Mean and Standard Deviation of Customer Satisfaction**

	Mean	Std.deviation
Customer attitude	5.7500	0.45799
Customer loyalty	5.8333	0.45799

**(Source; survey data)**

According to the above table Mean value of the Customer attitude, Customer loyalty are high level average as 5.7500, 5.8333 respectively. Customer loyalty has higher level of average mean comparing Customer attitude.

Simple regression analysis used to determine impact of independent variable on dependent variable. The results of simple regression between Service Quality of Internet Banking and Customer Satisfaction are shown below table.

**Simple Regression Analysis**

**Table 6.10 Statistics of Regression between Service Quality of Internet Banking and Customer satisfaction**

Method	Linear				Interpretation			
	Reliability	Efficiency	Responsiveness	Security	reliability	Iefficiency	Responsiveness	Security
R	0.717	0.668	0.755	0.908	0.717>0.5= positive relationship	0.668>0.5= positive relationship	0.755>0.5= positive relationship	0.908>0.5= positive relationship

R Square	0.514	0.447	0.571	0.825
a- Constant	8.527	0.994	3.481	2.332
b- value	-0.466	0.779	0.394	0.572
Sig	000	000	000	000

## 7. Conclusions and Recommendations

### 7.1 Introduction

According to the research study regarding the impact of service quality of Internet Banking on customer satisfaction, specially four variables were analyzed regarding service quality of Internet Banking and two variables were analyzed regarding customer satisfaction. Each of the variables has certain indicators explicitly denoting the impact of service quality of internet banking on customer satisfaction.

### 7.2 Conclusion

Descriptive statistics and other analyze methods were formulated in order to come up with findings related to the research problem. The study was conducted with fifty internet banking users are in Thanamalvila regional area. Frequency analysis was used to understand the sample profile and descriptive statistics were used to investigate the level of the service

quality of Internet banking and level of customer satisfaction.

The results of the study showed that level of service quality of internet banking is in high level and level of customer satisfaction also in high level. It is described by the mean of the service quality and customer satisfaction of the two bank customers .

### 7.3 Recommendations

Based on these research findings, the following suggestions are made for proper dealing with customer wishes and expectations in regard to e-banking services:

Mainly, the outcome of the study was that identified service quality dimensions had a significant impact on customer satisfaction in internet banking. Therefore, improvement in web service quality is recommended for achievement of customer satisfaction in banking sector.

*Security* was the major factor influence to the customer satisfaction. So, the banks should give special attention regarding the privacy and protection of customers' personal information, so as the more secure the electronic systems become, the more likely the customer will be to use them. And a successful experience with the online banking services and transactions in a safe virtual environment will definitely enhance customer satisfaction with the provided services. So all the security measures and procedures should be considered for protection of customer personal and private information during online transactions and cash transfer.

Considering that by the variable *responsiveness*, it should improve the proficiency of the bank and its employees in quick reaction to customer requests through investment on the process of service provision and on training of the involved employees.

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