



The Impact of Service Quality on Customer Satisfaction in Internet Banking

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ABSTRACT

Internet banking is inevitable for the success of any modern banking institution in contemporary times. Because it plays a critical role in the current banking system and provides customers convenient, inexpensive access to their bank accounts to manage their transactions 24 hours a day and seven days a week. For these reasons, banks must strive harder to increase customer satisfaction and internet banking usage of their clients. Therefore, this study aims to identify the impact of internet banking service quality dimensions on customer satisfaction. For that, the researcher has developed a conceptual framework based on several previous studies. This study has followed the quantitative research approach and is inspired by the positivism research philosophy. According to the statistical and earlier research findings, the researcher was able to conclude that, Website design, Security and privacy, Ease of use, and Speed of transactions have a positive significant impact and Ease of use has the highest impact on customer satisfaction. The findings of this study will be a useful guide for the management when formulating strategies in order to attract and retain more customers and obtain competitive advantages over their rivals.

Keywords: *Internet Banking, Service Quality, Customer Satisfaction.*

Citation: M.T.S Perera (2022). The Impact of Service Quality on Customer Satisfaction in Internet Banking. *International Journal of Arts, Humanities and Social Studies*, 4(4), 26-32.

INTRODUCTION

Today's turbulent business environment is rapidly changing as a result of technological advancements. Therefore, banks require technological improvements such as online banking, mobile banking, ATMs, etc. to face global challenges successfully. Online banking system helps them to introduce innovative products and services as well as to obtain competitive advantages over their rivals. As a result of that, the banks that adapt to internet banking are in a position to attract more customers, retain them and increase their loyalty through process efficiency and service quality[1]. Banks are able to use online banking in order to satisfy their customers' need and want before their rivals as well as better than the rivals. Online banking and mobile banking now allow consumers to carry out banking transactions beyond conventional banking hours. Queues in the banks have significantly reduced as a result of the reduction of the number of customers visiting the banks and it helps to increase customer satisfaction[2]. Therefore, online banking is inevitable for the success of any modern banking institution in contemporary times. Because it plays a critical role in the current banking system. In addition to that banking is continuing to use technological improvements to increase their customers' satisfaction and also, they want to reduce internet vulnerability and issues. Because it may negatively affect the customer's satisfaction[3].

Internet banking offers significant opportunities and challenges for business organizations as well as the general public. Customers are able to check their balances online, 24/7 account and service access, transfer funds, download the statement of transaction and payment history and make online payments such as utility bill payments and credit card payments, etc. However, some of the critical issues posing serious challenges to internet banking such as privacy issues, technical problems, lack of face-to-face relationship with a banker, and inconvenient to make deposits. Although the banking industry invests a large sum of money in information technology and sophisticated electronic devices, the demand for internet banking in Sri Lanka is relatively low [2]. Still, most Sri Lankans use the traditional banking system to manage their banking activities such as paying their bills, check balances, etc. Furthermore, old age people are generally not interested in using online banking and ATM, etc[4]. Therefore, the aim of this study is to examine the impact of service quality factors of internet banking on customer satisfaction in Sri Lanka.

Literature Review

E-banking, virtual banking, online banking, and electronic banking relate to the same concept of Internet Banking [3]. Internet banking can be defined as a banking service that allows customers to access and perform financial transactions on their bank accounts with their computers via an internet connection [5]. Furst [6] defines internet banking as the use of the internet as a remote delivery channel for banking services. When compared with the developed nations,

still internet banking usage in Sri Lanka is relatively low [1,2]. Firdous and Farooqi[7] examined the factors determining the customer satisfaction of internet banking users in New Delhi, India. The sample of this study consisted of 200 internet banking users of an Indian bank that lives in New Delhi. The researcher has taken various factors that determine the internet banking service quality such as Contact and website design, Speed, System Availability, Privacy, Efficiency as well as Responsiveness. The researcher was able to identify some major dimensions determinants of internet banking services quality such as website design, efficiency and privacy affect the customers' satisfaction. The empirical results findings revealed that there is a significant direct relationship between customer satisfaction and internet banking service quality dimensions in the banking industry. Kassean et al. [8] made a survey and the samples of the survey were 240 online banking users living in Mauritius. The study revealed that confidentiality and security, convenience, user-friendliness, speed, accessibility, and time savings are the key factors behind customer satisfaction in relation to internet banking service quality.

Many researchers have emphasized the importance of security as a major dimension of service quality towards customer satisfaction as well as the usage of internet banking. They revealed that the security factor positively affects internet bank usage as well. However, the security factor poses serious challenges to internet banking such as security issues and false transactions. According to Jayasiri [9], unauthorized people may be hacked into users' account information over the internet, and also there could be security problems due to the negligence of the user. Moreover, the confidence of internet banking users largely depends on the way the bank reacts after occurring any security issue or false transactions. However, the phobia associated with security has contributed negatively to the growth of internet banking in Sri Lanka [10]. According to Rexha et al. [11] trust regarding security policies significantly affects to increase the tendency of internet banking usage. Furthermore, lots of people still feel vulnerable when executing their financial transactions over the internet. When doing branch banking, there is a relationship with the personal banker and as a result the user's reliability as well as well confidence has increased. People believed natural financial transactions have less uncertainty rather than internet banking transactions.

According to the findings of Peevers et al. [12], he mentioned that some banking customers are worried about the bank's security features and security policies. Therefore, internet banking security policies as well as security features have a significant impact on internet banking user's satisfaction. However, still many users are not willing to share their private and confidential information such as credit card and debit card information, etc. Hunjra et al. [13] point out that although banking users have higher confidence in their banks, their confidence in technologies was relatively weak. Though banking users are well aware of the risk, they do have not enough understanding of internet banking security risks that may occur while performing online transactions. Therefore, the perceived risk of internet banking significantly affects the usage of internet banking as well as to the user's satisfaction. Banks have to pay considerable attention to security features because it affects the survival of the internet banking industry.

The previous studies have illustrated the importance of ease of use as a vital service quality dimension on internet banking customer satisfaction. A study by Wisdom [14] points out that as a result of the introduction of internet banking, internet banking users have more convenience. Because internet banking services are available at all locations they need. Ease of use has a significant effect on customer satisfaction and females tend to use internet banking more than males due to this ease-of-use factor. However, according to Bebli [15] ease of use factor has no direct impact on internet banking usage. As a result of the ease of use, it helps to increase the performance of internet banking as well as positively affect customer attitudes. Bhattacharjee and Premakumar [16] revealed that ease of use has not had any significant impact on customer satisfaction and the complexity of internet banking has a negative impact on internet bank usage. Wisdom [14] emphasized that convenience, users have the ability to access bank details or to execute transactions, regardless of location and time as advantages of internet banking. Rexha et al. [11] conclude that internet banking provides convenience, and accessibility and allows easier maintenance of transaction activities for users.

One of the most significant disadvantages associated with internet banking is complexity[11]. His article also showed that preventing the adaption of internet banking includes ease of use. Sometimes internet banking users require a complex and thorough understanding to execute monetary transactions. As a result of that complexity, hackers, unauthorized parties or firm employees are unable to manipulate online transactions. Rexha et al. [11] found that there is a positive correlation between ease of use/ convenience and internet banking customer satisfaction.

Many researchers have emphasized the importance of speed of transactions as another service quality dimension that impact internet banking customer satisfaction as well as to the usage of internet banking. Jayawardhena [17] demonstrated that website features such as the speed of transactions have a significant influence on user satisfaction. Further, he illustrated that internet banking allows easier maintenance of transaction activities, and increasing the speed of processing information positively affects internet banking usage. Not only online banking helps to dramatically reduce the operation cost of banks and the cost of online banking users due to the speed of transactions but also time savings are

the main factors behind the adoption of internet banking services. Aydın [18] further revealed that although internet banking is associated with speed and time saving, it should provide accurate records of all transactions.

Slow response time can be defined as the willingness of banks to help their customers within a short period of time. It also consists of timeliness of services which means, banks' ability to mailing online transaction slips immediately, calling back quickly as well as resolve customers' complaints quickly. Moreover, banks' ability to provide relevant and appropriate information immediately to users when a problem occurs determines the quality of services offered by the particular bank[19].

The visual appeal of the internet banking website design is also considered as a major service quality dimension. If a website is more appealing and associated with customized search functions, notifications caused enhancement in customer satisfaction. Bebli [15] found that individual expectations regarding the visual appeal of a website were the most important quality attributes when determining customer satisfaction. If banks are able to provide more user-friendliness websites, it helps to reduce the time taken to complete online transactions. Samphanwattanachai [20] made a survey and revealed that internet banking users are reluctant to adapt to internet banking services provided by banks due to a lack of awareness and knowledge about the potential benefits of internet banking. Ying Wu et al. [21] made a survey and the samples of the survey were 194 internet banking users living in Taiwan. The study revealed that there is a trend to use internet banking in Taiwan rather than in-branch banking services, because of the benefits associated with internet banking.

Conceptual Framework

For the purpose of examining the impact of service quality factors of internet banking on customer satisfaction in Sri Lanka, the researcher proposes the following conceptual framework. This conceptual framework is developed based on several previous studies relating to the service quality factors of internet banking.

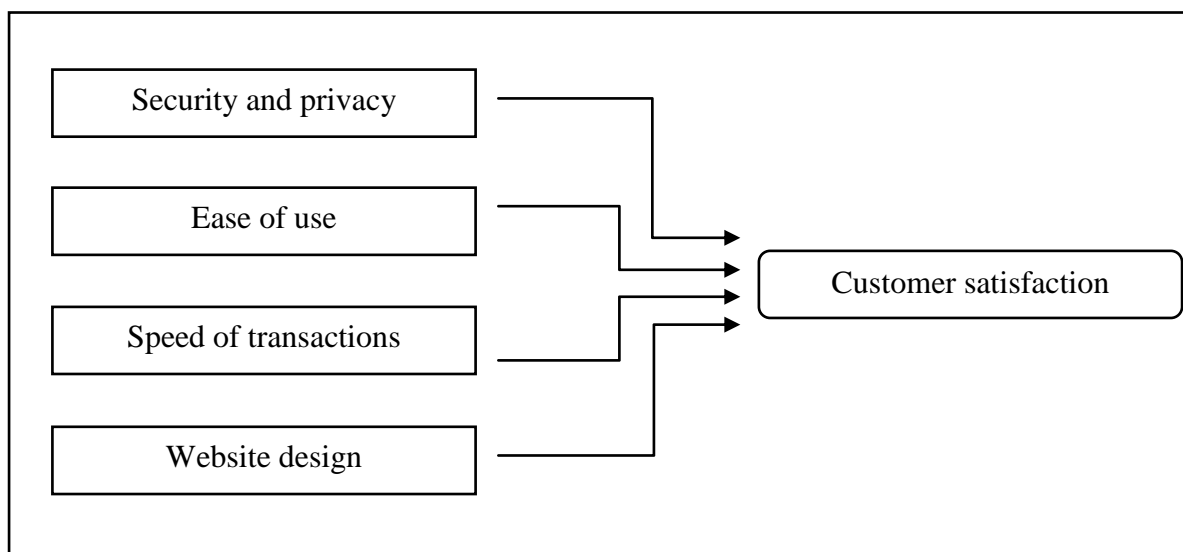


Figure: 1. Conceptual Framework

The proposed study considers the following hypotheses,

- H1: Security and privacy have a significant impact on customer satisfaction.
- H2: Ease of use has a significant impact on customer satisfaction.
- H3: Speed of transactions has a significant impact on customer satisfaction.
- H4: Website design has a significant impact on customer satisfaction.

METHODOLOGY

The present study was conducted as quantitative research using a structured questionnaire. Therefore, the paradigm of this study can be defined as a positivism paradigm. In this study, the reality exists outside and the researcher has to look at what is out there. Furthermore, the reality is more objective and independent of the researcher. Moreover, this study was conducted as quantitative research to explore the impact of service quality dimensions on customer satisfaction. The research strategy of the present study was the survey method in order to test research hypotheses. Because the researcher was able to collect information from a large number of respondents using a structured questionnaire. The survey is the most appropriate method for describing the behaviors as well as the characteristics of a

large population rather than other research strategies. It ensures accuracy and can be generalized to a larger population. As a result of a large number of participants, it is easier to perform a good statistical analysis of the data gathered. Multiple service quality variables which affect internet banking customers' satisfaction can also be effectively analyzed using surveys. When executing surveys, there is little or no observer subjectivity and the researcher's own biases can be eliminated through different techniques.

The study population comprised the internet banking customers pertaining to two major state banks in Sri Lanka and as a sampling technique, simple random sampling, a probability sampling method was utilized. In order to identify the impact of internet banking service quality dimensions on customers' satisfaction, the structured questionnaire survey was administered to 150 internet banking users. Moreover, primary data was obtained from the respondents through a structured questionnaire comprising of both closed and open-ended questions. The structured questionnaire of this survey consists of two parts. Part one deals with demographic information such as age, educational level, occupation, gender, etc. Part two of the questionnaire was dedicated to gathering data about multiple variables to identify the impact of service quality on customer satisfaction. Thirty-five likert scale questions were asked in this survey in order to satisfy the quest for this knowledge. After data were obtained from 150 respondents, Statistical Package for Social Sciences (SPSS) version 23.0 for windows is used for statistical analysis. Missing data were identified and data editing as well as data transformation are employed to increase completeness and consistency. Then the reliability and validity were analyzed and univariate analysis frequency distributions, correlations, and multiple regression analysis were conducted.

Findings and Discussion

As can be seen in Table 1, Among the respondents, the percentage of female respondents is 41.3% and of the males is 58.7%. It can be identified that the majority of internet banking users belong to the age range of 18 – 25yrs and depicting 31.3%. The second-highest usage rate was witnessed among the ages of 26 – 33yrs. The lowest internet banking usage percentage can be identified among the respondents aged 51 yrs and above and depicting 12%. Most of the respondents have advanced level (A/L) educational background and have come up with a response rate of 42% and the second-highest response percentage can be observed from the customers belonging to ordinary level (O/L) educational background. The data revealed that respondents, representing 57% have good information technology knowledge while respondents representing 22% possess very good information technology knowledge level. Respondents representing 21% have poor information technology knowledge.

Table1- Profile of respondents

Percent (%)		
41.3	Gender	Female
58.7		Male
31.3	Age	18 – 25yrs
25.3		26 – 33yrs
18.0		34 – 41yrs
13.3		42 – 50yrs
12.0		51 yrs and above
22.7		Educational Level
35.3	A/L	
14.7	Diploma	
22.7	Degree	
4.7	Master Degree/ PhD	
22.0	IT Knowledge Level	Very good
56.7		Good
21.3		Poor

Source: Survey Data

As depicted in Table 2, in order to measure the reliability of the instruments Cronbach's alpha has been utilized. The design of the website consists of five questions with an alpha of 0.886 and the second-factor internet banking security and privacy consist of five questions with an alpha of 0.871. The third selected factor, ease of use privacy consists of five questions with an alpha of 0.817. The fourth factor, the speed of internet banking transactions was composed of five questions with an alpha of 0.876. The last factor, internet banking customer satisfaction consists of five questions with an alpha of 0.932. As a result of that, the selected questions are suitable for measuring the factors. KMO (Kaiser-Meyer-Olkin) and Bartlett's test have been utilized to order to measure the validity of the instruments. As a rule of thumb, if the value of the KMO is more than 0.6 level, it is treated as accepted validity. Table 2 shows the results of the KMO and Bartlett's test and it could conclude that all the values of the KMO are more than 0.6, within the accepted validity level.

Table 2 - Reliability and Validity Analysis

Factor	Cronbach's Alpha	Kaiser-Meyer-Olkin
Website design	0.886	0.867
Security and privacy	0.871	0.821
Ease of use	0.817	0.837
Speed of transactions	0.876	0.691
Customer satisfaction	0.932	0.718

Source: Survey Data

Under preliminary statistical analysis, key assumptions such as Normality, Linearity, Multicollinearity were tested which were required to run regression analysis. The skewness statistics are less than one for all the items (skewness value is ≤ 1). Therefore, all the items have maintained an appropriate level of skewness. The kurtosis statistics which range from -0.930 to +0.422 also show that the data distribution is normal. In order to test the linearity, simple regression analysis was employed and the results indicated that there are linear relationships between independent variables and dependent variable. Pearson's correlation statistics was employed to test the multicollinearity and the result revealed that none of the bivariate correlations was above 0.8 for independent variables. The highest bivariate correlation reported was 0.800 and hence no correlational problem was detected.

Multiple regression analysis was employed to examine whether there is a significant impact of service quality dimensions on internet banking customers' satisfaction.

Table 3- Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.858	.736	.729	.47985

Source: Survey Data

Table 3 is explaining the overall predictability of the model. The adjusted R-square value of 0.729 indicates that Website design, Security and privacy, Ease of use, and Speed of transactions are collectively explaining 72.9% of the variance of customer satisfaction in internet banking. Hence, there are some other service quality dimensions too that contribute to customer satisfaction in internet banking.

Table 4 - Coefficients

Dependent variable	Unstandardized Coefficients	t	Sig.
Website design	.171	2.272	.025
Security and privacy	.161	2.066	.041
Ease of use	.468	5.780	.000
Speed of transactions	.276	3.801	.000

Source: Survey Data

Table 4 is presenting the Sig. value, the values of website design, Security and privacy, Ease of use, and Speed of transactions are demonstrating that they have a significant impact on customer satisfaction, as their Sig. values are less than 5%. The same results are being illustrated by the t-values, as it should be above 2 to accept the hypothesis. Here the value of the t-test has come out to be greater than 2 for Website design, Security and privacy, Ease of use, and Speed of transactions which leads us to accept the hypothesis of the present study.

In the continuation of this study, the researcher has employed the Pearson Chi-Square Test in order to measure whether there is a statistically significant relationship between Information communication technology knowledge level

and usage the internet banking. According to below Table 5, there is a statistically significant relationship between the ICT Knowledge level and usage the internet banking. Because significant values are 0.000.

Table 5- Chi-Square Test for ICT Knowledge Level and Usage of Internet Banking

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	47.399 ^a	2	.000
Likelihood Ratio	55.822	2	.000
Linear-by-Linear Association	46.374	1	.000
N of Valid Cases	150		

Source: Survey Data

CONCLUSION

Internet banking is inevitable for the success of any modern banking institution in contemporary time. Because it plays a critical role in the current banking system. For these reasons, banks must strive harder to increase customer satisfaction and internet banking usage of their clients. Hence, this research study explores the impact of service quality of internet banking on customers' satisfaction. The researcher identified four independent variables namely website design, Security and privacy, Ease of use, and Speed of transactions using internet banking customer satisfaction literature. Four hypotheses were statistically tested to analyze the relationship between independent variables and dependent variables. The findings of the present study revealed that Website design, Security and privacy, Ease of use, and Speed of transactions positively affect customer satisfaction. A key contribution of this study to previous literature is that internet banking customers' satisfaction in a local context which is a largely under-researched area. The research findings also contribute to supporting and strengthening the existing literature made by different scholars. Furthermore, the research findings revealed and contribute to the literature by signifying that there is a positive relationship between ICT knowledge and internet banking usage. The present study examines only four service quality factors pertaining to internet banking customers' satisfaction. Future researchers are able to conduct their study with other possible factors which influence customer satisfaction derived from different sources of literature.

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