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Understanding Customer Satisfaction of Internet Banking: A Case
Study In Malacca

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Abstract

The banking industry has been rapidly developing the use of Internet banking as an efficient and viable tool to create customer value. It is one of the popular services offered by the traditional banks to provide speedier and reliable services to online users. With the rapid development of computer technology as a commercial tool Internet banking can be used to attract more customers to perform banking transactions in related banks. However, the main problem of Internet banking faced by the providers is that a large number of the banks' customers are not willing to use the Internet banking services offered. This happened due to the services offered through Internet banking have yet to satisfy their customers. Customer satisfaction is an important factor to help banks to sustain competitive advantages. Therefore, the purpose of this research is to search and examine the factors which influence customer satisfaction towards Internet banking. The five factors which can influence customer satisfaction toward Internet banking include service quality, web design and content, security and privacy, convenience and speed. With the use of a questionnaire survey, 200 working adults participated in this study have provided valuable feedback and responses pertaining to the above factors that influence customers' decision to do Internet Banking. The results of this research showed that web design and content, convenience and speed are closely linked to customer satisfaction toward Internet banking. Or ... The results of this research showed that web design and content, convenience and speed are the top three factors that influence customer satisfaction toward Internet Banking.

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1. Introduction

In Malaysia, banks are divided into several forms such as central banks, Islamic banks and commercial banks. Since the banking industry is one of the most important industry in this country, most banks have their own banking websites as move to increase their effectiveness. Internet banking brings convenience to customers and encourages customers to conduct transactions more easily and efficiently through the banking website. Internet banking also helps the banks to reduce their operating costs.

The development of e-banking in each country is dependent on the speed of internet access, the features of new online banking, and the frequency of e-banking usage (Nupur, 2010). In the banking industry, e-banking is formed when there is a combination between the information technology and the functions of banks and financial institutions (Ahanger, 2011). Internet banking was first introduced in Malaysia in June 2000 when Bank Negara Malaysia gave permission to the local banks to offer Internet banking services (Suki, 2010). To satisfy customer's need, many types of products and services were provided by the banks through Internet banking websites. Previous research showed that there is only small percentages of customers who preferred perform investments such as making personal investments, borrowing of loans, and paying of housing mortgages through Internet banking (Ainin et al., 2005). Instead, majority of customers preferred to do transactions over the counter as face-to-face communication with the staff of traditional banks allows customers to make enquiries and obtain more detailed information.

2. Literature Review

Internet banking has gained higher acceptance from the customers who are highly supportive of new technology. Internet banking acts as a kind of financial intermediation which makes transaction through Internet (Ahanger, 2011). In the banking industry, Internet banking is the industry which uses computer technology to provide better services to customers and help in the development of banking practices (Rahmath and Hema, 2010). Technological innovations are one of the effective ways to increase the level of service quality to satisfy customer needs. Through the advanced technology and innovation in the financial and banking sectors, Internet banking has become more familiar to the customers of traditional banks (Acharya et al., 2008). Internet banking is offered by the retail banking in many developed countries and customers can make transactions without having to leave their homes or workplace (Munusamy et al., 2010). In addition, Internet banking can help customers to manage their finances more efficiently (Bank Negara Malaysia, 2007).

2.1. Service Quality

Service quality is formed when customers make a comparison between before-service expectations with their actual-service expectations and with their actual-service experience (Naik et al., 2010). In Internet banking, e-service quality is important to the banks because it will affect customer satisfaction. Zhao and Saha, (2005) have identify the nine dimensions of e-service quality. According to Nupur (2010), a partial of the service quality dimension showed a significant relationship with customer satisfaction

H1: Service quality has a relationship on customer satisfaction toward Internet banking.

2.2. Web Design and Content

Web design is an important elements to attract the usage of Internet banking and the importance of web design will be reflected in the customers' satisfaction level (Ahmad and Al-Zu'bi, 2011). Thus, it will pose a positive significant impact on customer satisfaction. Furthermore, the basic requirements for a good web design should include a good screen layout and design, clear graphics and vibrant color configuration (Ahmad and Al-Zu'bi, 2011). Websites are an important factor in a bank's marketing and communications activities with customers. Hence, the content in the website is indeed important because it will affect the customer satisfaction.

H2: Web design and content have a significant relationship on customer satisfaction toward Internet banking.

2.3. Security and Privacy

Security can be defined as a form of protection to ensure the customers' safety and to prevent hackers from invading the customers' privacy (Dixit and Datta, 2010). According to Ahmad and Al-Zu'bi (2011), security had a significant influence on customer satisfaction. Privacy is another important element which always concerns customers. It is always the customers hope that the banks can protect their personal and financial information especially when they do transactions via Internet banking. Zhao and Saha (2005) in their research have showed that privacy had a strong influence on customer satisfaction

H3: Security and privacy have a relationship on customer satisfaction toward Internet banking.

2.4. Convenience

Convenience is the main attraction and focus of the customers who use Internet banking (Shariq, 2006). Previous research showed that most of the customers focused on the convenience of using Internet banking (Lallmahamood, 2007). Kassim and Abdullah (2010) found that ease of use was positively related to customer satisfaction. Customers who used Internet banking were more focused on the easier ways to conduct banking transactions (Ainin et al., 2005).

H4: Convenience has a relationship on customer satisfaction toward Internet banking.

2.5. Speed

Speed can be defined as the frequency of network connection breakdown, the time to navigate the Internet banking website, the amount of time that the customer spend for page response, and the rate that banks response to the complaint of customers (Ahmad and Al-Zu'bi, 2011). Usually, the speed of Internet banking was affected by the wide-ranging and high-resolution graphics and inefficient host server (Shariq, 2006). Speed was an important factor to achieve the successful for e-banking (Haque et al., 2009). Speed had a positive significant impact on customer satisfaction (Ahmad and Al-Zu'bi, 2011).

H5: Speed has a relationship on customer satisfaction toward Internet banking.

2.6. Customer Satisfaction

Customer satisfaction was related to people who paid for a products or services and used the products and services. Customer satisfaction was known as user satisfaction whereas buyer satisfaction was the individual who buy the products or services but he/she may non-users of the products and services (Hom, 2000). Customer satisfaction was a major outcome of marketing activity whereby it needed to fulfill the different phase of consumer buying behavior (Jamal and Naser, 2002). Current customers gave more advantages and profitable to the banks rather the new customers (Naik et al., 2010).

3. Research Methodology

3.1. Sample and Data Collection

A structured questionnaire that was adapted from prior research (Ahanger, 2011; Beh, 2009; Haque et al., 2009; Kassim and Abdullah, 2010; Ravichandran et al., 2010; Lallmahamood, 2007) was used to obtain relevant data for this study. The questionnaire was randomly distributed to 200 full time working adults who worked in Melaka, Malaysia. The data gathered were analysed using various statistical methods such as Descriptive analysis, reliability analysis and multiple linear regression analysis were used.

3.2. Respondents' Demographic Profile

In this study, the respondents comprised 59.0% of females and 41% males. Majority of the respondents in this study, that is, 49%, were in the age group between 26 years old to 35 years old. A high percentage (69.5%) of the respondents were single while a small minority of 2.5% were widows. In terms of their education levels, 49.5% of the respondents have obtained a Bachelor degree. It is also interesting to note that, in this study, 41% of the respondents were earning between RM2001 to RM 4000 per month whereas just 1.5% of respondents were drawing an income of more than RM10000 per month.

3.3. Usage of Internet Banking

All the respondents that involved in this survey had experience in using Internet banking. In fact, 67.0% of the respondents had used Internet banking on fund transfers. Most of the respondents used Internet banking on fund transfers because it can be done at anytime and anywhere. The data showed that only 5% of the respondents have used the other Internet Banking functions such as submission of new accounts, application of credit cards, loan, placements of fixed deposits, and creation change and cancellation of standing orders. .

The data also revealed that 49.5% of the respondents used Internet banking 1 to 2 times per month whereas only 13.0% of respondents used Internet banking more than 5 times per month. Furthermore, 29.0% of respondents used the Internet banking system about 1 to 2 weeks ago. Besides that, CIMB Click was the most frequently visited page by respondents (42) whereas Online@ HSBC was the least popular among the respondents (0.5%)

3.4. Measurement of Constructs

A reliability test was performed with the Cronbach's alpha value for all the variables were above 0.75 as shown in Table 3. Therefore, all the variables in this study are at the acceptable level.

Table 1: Cronbach's Alpha for each variable

| Variable | Cronbach's Alpha |
|------------------------|------------------|
| Service Quality | 0.909 |
| Web design and Content | 0.916 |
| Security and Privacy | 0.924 |
| Convenience | 0.871 |
| Speed | 0.875 |
| Customer Satisfaction | 0.828 |

4. Results and Discussion

Based on the multiple regression analysis, the R – square value implied that 43.1% of total variation in customer satisfaction is explained by all the independent variables in this study. Based on the results shown in Table 4, two independent variables which are service quality and security and privacy showed significant values greater than 0.05. Therefore, H1 and H3 are not supported in this study. However, the other three independent variables are significant in this study and therefore H2, H4 and H5 were supported in this study.

Table 2: Summary of regression analysis

| Variable | t-value | Sig. | Hypothesis Result |
|------------------------|---------|-------|-------------------|
| Service Quality | -1.598 | 0.112 | Not supported |
| Web design and Content | 3.920 | 0.000 | Supported |
| Security and Privacy | 1.720 | 0.087 | Not supported |
| Convenience | 2.980 | 0.003 | Supported |
| Speed | 3.669 | 0.000 | Supported |

$$R^2 = 0.431$$

$$\alpha = 0.05$$

Based on the results shown in Table 2, H1 is not supported. This finding is supported with the result of Nupur (2010). There are several dimensions of service quality which include tangible, reliability, responsiveness, assurance, and empathy. However, not all the dimensions of service quality have a positive relationship with customer satisfaction. In spite of this, the prior research that was done by Rod et al., (2009) and Radhakrishna (2009) showed that the service quality of overall Internet banking is positively related to customer satisfaction.

On the other hand, H2 is supported. This finding has matched the outcomes of previous research such as Ahmad and Al-Zu'bi (2011) has showed that web design and content brought an importance influence on customer satisfaction. Shariq (2006) had implied that web design is the factor which can affect customer satisfaction. In this research, it shows that web design is positively related to customer satisfaction because the results of the web design and content variable with customer satisfaction have a positive beta value in this research. It means that a well-designed Internet banking website can help to achieve a higher level of customer satisfaction.

However, The results of this study do not match with the prior research that were conducted by Ahmad and Al-Zu'bi (2011) whereby security and privacy had a positive significant influence on customer satisfaction toward Internet banking. According to Zhao & Saha (2005), privacy was classified as a variable in service quality. The results show that H3 is not supported. This shows that Internet banking users realize that Internet banking providers play an important role to protect the consumers' privacy. The onus lies on the service providers to ensure that the platform for the Internet banking is secured.

The finding in this research matches with Ahmad and Al-Zu'bi (2011). Ease of use was positively related to customer satisfaction toward Internet banking too. "Ease of use" is one of the terms which used to define the meaning of convenience. The outcome shows H4 is supported. The results proved that convenience has a relationship with customer satisfaction toward Internet banking. An increase in the degree of convenience to customer, will increase the level of customer satisfaction.

Lastly, speed has a positive relationship with customer satisfaction toward Internet banking. Therefore, H5 is supported. Shariq (2006) showed a positive relationship between the speed to load Internet banking website and customer satisfaction. In addition, Adams and Lamptey (2009) implied that the speed for Internet banking webpage response is an important issue to customer satisfaction.

5. Conclusion

In this research web design and content, convenience and speed have a relationship with customer satisfaction towards Internet banking. Internet banking providers should put more effort to improve on these three factors in order to increase customer satisfaction. Even though service quality variable and security and privacy variables do not have a relationship with customer satisfaction in this research, the importance of these two variables cannot be ignored by Internet banking providers because prior research had shown that these two variables are important in fulfilling customer satisfaction toward Internet banking. This research can help Internet banking providers to know Internet banking users' opinion and find the solution through customers' perspective. It can help Internet banking providers easily achieve customer satisfaction.

There are several recommendations that can help in overcoming this research. The problem of constraints on time can be solved by increasing the range of time in conducting a research in the future. It can provide there searchers more time to collect more data from more respondents and pass more questionnaires to the working adults. Furthermore, the sample size of the research should be increased because the sample size may affect the accuracy and reliability of the research. Sample size can help to improve the reliability between independent variables and dependent variable. Since two hypothesis had been rejected, a broader sample size should be used to ensure the reliability and generalizability of the research results. Increase in sample size can help researchers to choose more working adults who work in different areas in Malacca. So, the views of respondents can be more generalized and accurate. In addition, an adequate content for a questionnaire is very important because it will affect the significant value of independent variables and dependent variable. These are some of limitations in this research but they can be solved by applying the recommendations mentioned above. After the limitations are solved an accurate and reliable result can be generated in the future research.

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