

**EXAMINING E-SERVICE QUALITY IN E-BANKING, CUSTOMER
SATISFACTION AND THE CURRENT ISSUES AFFECTING E-BANKING
ADOPTION AMONG MALAYSIAN BANKS**

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DECLARATION BY SUPERVISOR

I hereby declare that I have checked this project and in my opinion, this project is adequate in terms of scope and quality for the award of the degree of Bachelor of High-Tech Marketing (Honours)

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Submitted in Partial Fulfilment of the Requirement for the Bachelor of High-Tech
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DECLARATION OF ORIGINAL WORK

“I hereby declare that the work of this exercise is mine except for the quotations and summaries that have been duly acknowledge.”

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Name :

Date :

DEDICATION

This research is dedicated to my lovely family that had given me the fully supported to finished this research also to my fellow friends that had accompany me for the past 4 years of my university life whose words of encouragement and push for tenacity ring in my ears. I'm also dedicated to my PSM Supervisor, En. Albert Feisal who taught me that even the largest task, can be accomplished if it is done one step at a time and who taught me that the best kind of knowledge to have is that which is learned for its own sake.

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ABSTRACT

Since the modernization era, E-banking (Internet banking; Online banking) experienced the rapid growth in most countries and transformed traditional banking practices. The provided e-banking prevail traditional banking practices by the banking industry to their customers. According to (Parisa, 2006) by offering Internet banking services, traditional financial institutions seek to lower operating costs, improve customer banking services, retain customer, reduce their branch networks, and downsize the number of their service staff. There are three main grounds for this research, to determine e-service quality dimension in e-banking, to analyse the level of customer satisfaction in e-banking services and to analyse the issues in e-banking. This research helps better conversance which factor that really needed to be exposed in determining the significant of e-service quality dimensions in e-banking framework at Malaysia. Better understanding will gain in this research on how selected e-service quality dimensions affect e-banking framework to be the guideline for banks management. The quantitative method has been selected by researcher to be use in this research to analysed data. 150 questionnaires have been distributed to Gen X and Gen Y in the central region. As the dimensions of e-service quality chosen are identified, the new e-banking framework in Malaysia will expose. Inevitably, e-banking service will improved by the e-service quality dimension selected and impress better performance in future.

Key Words: E-Banking, Internet Banking, Online Banking, E-Service Quality

ABSTRAK

Sejak era pemodenan , E- perbankan mengalami pertumbuhan pesat di kebanyakan negara dan mengubah amalan perbankan tradisional. E-perbankan mengatasi perbankan tradisional oleh industri perbankan kepada pelanggan. Menurut (Parisa , 2006) dengan menawarkan perkhidmatan perbankan Internet, institusi kewangan tradisional berusaha untuk mengurangkan kos operasi , meningkatkan perkhidmatan perbankan pelanggan, mengekalkan pelanggan, mengurangkan rangkaian cawangan mereka, dan mengecilkan jumlah kakitangan perkhidmatan mereka. Terdapat tiga sebab utama bagi kajian ini, untuk mengenalpasti ciri-ciri kualiti perkhidmatan untuk mengetahui tahap kepuasan pengguna dalam perhidmatan e-bank dan masalah-masalah yang berada di dalam e-bank. Pemahaman yang lebih baik akan didapati dalam kajian ini tentang bagaimana dimensi kualiti e- perkhidmatan dipilih menjejaskan rangka kerja e-perbankan untuk menjadi garis panduan bagi pengurusan bank. Kaedah kuantitatif telah dipilih oleh penyelidik, digunakan dalam kajian ini untuk data dianalisis. Sebanyak 150 soal selidik telah diedarkan kepada Gen X dan Y. Sebagai dimensi kualiti e- perkhidmatan yang dikenal pasti , rangka kerja e- perbankan baru di Malaysia akan di dedahkan . Perkhidmatan e- perbankan akan diperbaiki dengan dimensi kualiti e- perkhidmatan terpilih dan menarik perhatian prestasi yang lebih baik pada masa depan.

Kata Kunci: E-Banking , Perbankan Internet , Perbankan Online, Kualiti E-Perkhidmatan

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LIST OF ABBREVIATIONS

ATMs	=	Automated Teller Machines
AVR	=	Automated Voice Response
ANOVA	=	One Way Variance Analysis
BNM	=	Bank Negara Malaysia
CS	=	Customer Satisfaction
DV	=	Dependent Variable
e-SQ	=	E-service Quality
IV	=	Independent Variable
IV 1	=	E-service Quality Dimension
IV 2	=	Customer Satisfaction
IV 3	=	Issues in E-banking
MRA	=	Multiple Regression Analysis
N	=	Number of Respondent
SERVQUAL	=	Service Quality

LIST OF SYMBOL

%	=	Percentage
>	=	Greater-than sign
<	=	Less-than sign
H_1	=	Hypothesis Alternative
H_0	=	Hypothesis Null
R^2	=	Regression

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Nowadays, world show popularity of rapid boost in E-banking (Internet banking, Online Banking). Each of business that oversees, vying for gain a competitive advantage by proving their technology to expedite synergy with customers. From customer perspective, online services offer panoply of benefits to the customers such as enhanced control, ease of use, and reduced transaction charges (Scullion and Nicholas, 2001, as cited in Yang and Fang, 2004). Online banking services are becoming an attractive alternative to visiting service outlets or phoning call centers for increasing number of customers (Kenova and Jonasson, 2006). Internet banking helps banks to build and maintain close relationships with their customers, reduces operating and fixed costs and achieves more efficient and enhanced financial performance (DeYoung et al. 2007 as cited in Rod et al. 2009).

“The rapid pace of advancement in information technology and communication networking has offered a wide range of delivering channels in retail banking. Banking institutions need to exploit the opportunities that arise from these developments and changes to remain competitive. The successful financial institutions in the future will be

those that are able to leverage most from the information and communications technology revolution. Increasingly, consumers are also demanding more efficient banking services and are becoming more discerning of the power that the technology brings.”

(Central Bank of Malaysia, BNM *Speeches & Interviews*)

In Malaysia, internet banking emerged in 1981s with the emergence of Automated Teller Machines (ATMs). With adaptation in technologies, tele-banking have been knowledgeable whereby the telecommunication device allied to an automated system with the use of Automated Voice Response (AVR) technology. Thereafter, better software has been introduced and known as a desktop banking which is able to upload electronic bank statements and become more familiar among corporate customers. According to Shanmugam et al. (2002) on June 2000, the Bank Negara, Malaysia’s central bank, announced that government has given its approval for commercial banks to offer Internet banking services. The internet banking services embrace with banking inquiry functions, bill payments, credit card payments, fund transfer and others. Previously, customer services just implemented via e-mail and telephone line that accessible in the office hour timing. Nowadays, term of Internet Banking (E-banking) was "modernized" to personify paperless and Internet banking services as well.

E-service quality is a key issue to keep customer satisfaction and loyalty. Each banks competing with each other to offer better quality on e-service to satisfy their customers. These banks are introducing internet banking as an assurance to their customers that they will be able to maintain a competitive quality of service in the future, in efforts to avoid losing their customers (Rod et al. 2009). Offering internet banking is no longer regarded as a competitive advantage but a competitive necessity (Gan et al., 2006, as cited in Rod et al. 2009). To make it, it is very important to have a better intelligence what the user perspective during the use of Internet banking services. As a result, this study will focus on the enhancement e-service quality of E-banking in Malaysia.

1.2 Statement of Problem

The major issue of each business including banking industry is the way to offer a good service quality. According to Khalil Ahmed, (2011) customer satisfaction may determine the success or fail of a business. Better service quality provided could clinch a high market share and substantial return. For this reason banks generally try to understand customer's perceptions of e-service quality and extent their satisfaction. E-banking will continue to transforming the ongoing traditional banking industry and offers more convenience to meet better consumer services through intensifying the communication, data mining and customization in the Internet banking services. To sustain in the fierce global banking industry, the local banks in Malaysia are competing among themselves and with the foreign banks to enlarge their own market share in virtual banking.

It is not easy to satisfy internet banking customer's service expectation due to its unique business environment where the business interactions with customer are via web site. It is important for banks to provide online service to uncover what attributes consumers utilized in their assessment of overall service quality and satisfaction and which attributes are more important (Yang and Fang, 2004). Customers consider the dimensions that provided in e-banking mostly not satisfied them.

This research tries to find out the dimensions of e-service quality in e-banking, in Malaysia. As general information, better e-service quality to ensure security and ease of use through the various delivery channels are among the influence to support the online customers. Lack of legal and web site infrastructures will cause the problem for e-banking system to maintain its operations. Therefore, each bank should understand the character of e-service quality in creating customer satisfaction on virtual banking.

1.3 Research Question

With the rapid growth in the modernization era, information can get on fingertips. Each industry trying to adapt their business with the new system, include banking industries that introduced the new system that be known as e-banking. By offering e-banking services, traditional financial institutions seek to lower operating costs, improve customer banking services, retain customer, reduce their branch networks, and downsize the number of their service staff (Parisa, 2006). Hence, this research focuses on how to develop the e-banking framework that can used by banking managers in providing the best service quality for customer satisfaction and to examining the e-service quality dimensions that can applied in Malaysia to convenience the Malaysian in the future.

This study specifically explored the following key questions:

- 1.3.1 What is the e-service quality dimensions used in e-banking that will effect e-banking adoption?
- 1.3.2 What is the level of customer satisfaction used in e-banking services that will effect e-banking adoption?
- 1.3.3 What are the current issues in e-banking that can effect e-banking adoption?

1.4 Objectives

Users today have been familiar with technology and accept the e-banking service announced by government. Thus, it is timely to explore and verify the e-service quality of e-banking in Malaysia for enhancement of service performance to gain user satisfaction. Developing an understanding of e-service quality dimension and the constructed framework are the focus of this study. In a broader perspective, this study intended to give valuable addition literature on e-service quality framework guideline in Malaysia.

Thus, the objectives of this study are:

- 1.4.1 To determine e-service quality dimension in e-banking that effect e-banking adoption.
- 1.4.2 To analyze the level of customer satisfaction in e-banking services that effect e-banking adoption.
- 1.4.3 To analyze the issues in e-banking that effect e-banking adoption.