

IMPACTS OF E-SERVICE QUALITY (E-SQ) DIMENSIONS TOWARDS  
CUSTOMERS SATISFACTION IN INTERNET BANKING USAGE AT  
MELAKA CITY

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## SUPERVISOR VALIDATION

I hereby declare that I have read this thesis and in my opinion this project is  
sufficient in terms of scope and quality for the award of  
Bachelor of Technology Management (Innovation Technology)

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This thesis is submitted in partial fulfillment of the requirements for the award of  
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DECLARATION

I hereby declare that the report has been prepared by my own self except the summaries and citation that I have been clarify the resources.

Signature : .....

Name : .....

Date : .....

DEDICATION

For my sweet and loving,  
my amazing father and mother whose sacrificial care for me  
Zulkifli bin Ahmad & Ramlah binti Ahmad.

And to my supportive siblings,  
Isfasonia, Isfayuni and Isfairyani

Thank you.

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## ABSTRACT

Internet banking is an electronic payment system that enables customers of a financial institution to conduct financial transactions on a website operated by the institution, such as a retail bank, virtual bank, credit union or building society (Firdous, 2017). The purpose for this study is to analyze the impact of e-service quality towards customers' satisfaction in Internet banking usage at Melaka City. This research helps bank management to have a better understanding regarding an excellent Internet banking service quality and how it related to customer satisfaction. Researcher use five dimensions as independent variables which included trust ease of use, website design, responsiveness and personalization with customers' satisfaction towards Internet banking usage at Melaka. An explanatory survey had been done by using questionnaires for data collection purposes. The questionnaires were rated by using Likert 1-5 scale. Data were collected from a sample population of 200 Internet banking customers in Melaka only. The data were analyzed by using Cronbach's Alpha, Pearson Correlation and Multiple Regression Analysis in order to test the hypothesis for this study. The result shows that e-service quality dimensions have three significant impacts on the customer satisfaction towards Internet banking usage at Melaka which is trust, personalization and responsiveness. This research limitation is including geographical area limitations and understandable questionnaires.



## ABSTRAK

*Perbankan Internet adalah satu sistem pembayaran elektronik yang membolehkan para pelanggan institusi kewangan menjalankan urusan kewangan di sebuah laman web yang dikendalikan oleh institusi itu, seperti sebuah bank runcit, bank maya, kesatuan kredit atau masyarakat setempat (Firdous, 2017). Tujuan kajian ini adalah untuk menganalisis kesan kualiti e-khidmat ke arah kepuasan pelanggan dalam penggunaan perbankan Internet di bandar Melaka. Kajian ini membantu pihak pengurusan bank untuk mempunyai pemahaman yang lebih baik mengenai perbankan Internet yang sangat baik yang berkualiti dan bagaimana ia boleh berkait rapat dengan kepuasan pelanggan. Penyelidik menggunakan lima dimensi sebagai pemboleh ubah bebas yang meliputi kepercayaan, kesenangan kepenggunaan, rekabentuk laman web, responsif dan penyesuaian peribadi dengan kepuasan pelanggan ke arah penggunaan perbankan Internet di Melaka. Kaji selidik untuk kajian ini telah dilakukan dengan menggunakan borang soal selidik bagi tujuan pengumpulan data. Borang soal selidik dikaji dengan menggunakan nilai Likert skala 1-5. Data telah dikumpulkan daripada populasi sampel sebanyak 200 pengguna perbankan internet di Melaka sahaja. Data dianalisis dengan menggunakan Alpha Cronbach's, Korelasi Pearson dan Analisis Regresi Berganda untuk menguji hipotesis kajian ini. Hasil menunjukkan bahawa dimensi kualiti e-perkhidmatan mempunyai tiga kesan terhadap kepuasan pengguna perbankan Internet di Melaka iaitu kepercayaan, penyesuaian dan responsif. Batasan kajian ini adalah termasuk had kawasan geografi dan limitasi waktu kajian yang terhad.*

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## **CHAPTER 1**

### **RESEARCH OVERVIEW**

#### **1.0 INTRODUCTION**

This research is conduct to investigate about the impact of E-service quality towards customer satisfaction in internet banking in Malacca. This chapter comprises several part of study. The first part of study is research background regarding Internet banking revolution and history of Internet banking from internal and external environment in Internet banking industry. The second part is discussing about the problem statement that may arises from Internet banking industry among customers. The problem statement acts as the core of this research. Third part from this research is research questions. Next, this study will continue to discuss on research hypothesis, scope and key assumptions of the study, limitation of study and significance of the study which will be explain the contribution towards the development of this research. Last parts of this study are the structure of thesis and summary from overall chapter.

## **1.1 Background of the Study**

### **1.1.1 Electronic Service Quality (E-SQ)**

Electronic service quality (e-sq) is important determinant in scaling the success of electronic banking application. In banking industry, delivering effective e-sq is important for banks to provide customers efficient banking services, including internet banking, and to remain competitive in the market (Ariff, Yun, Zakuan, & Jusoh, 2012). An excellent e-sq in internet banking system will give the banks more comparative advantage on the line compare to other banks in market. However, there is still lack of comprehensive understanding about relationship between e-sq rate scaling and the impact towards user satisfaction.

Examining dimensions of internet banking e-sq is one area of great interest to researchers and managers to ensure their level of service quality towards Internet banking. Service quality can be scale and rate using different way of method such as E-SERVQUAL, WebQual, SITEQUAL and e-TailQ (Zavareh et al., 2012). This method have been use in order to determine different dimensions of service quality for an electronic service for example Internet banking. E-service quality can also be assume as wholly consumer benchmarking and perceptions towards the quality of e-service delivery in the web retailing (Ojasalo, 2010). Several investigation have been made in order to develop more knowledge and exposure regarding measurement of e-services quality (Li & Suomi, 2009).

### **1.1.2 Introduction of Internet Banking**

Internet banking acts as momentum or medium that giving customers to log in and settle down their financial transactions on their bank accounts from their own personal computer with internet connection to Internet banking websites in anywhere they please (Ibok & Ikoh, 2014). The electronic in banking system usually plays on changes in the distribution channels of financial institutions. The basis for this technology adoption of the modern electronic distribution channels is the result of the evolution of the concept of money. Internet banking is one of the main applications which allow a user to execute financial transactions via the Internet. Internet banking has been upgrade into mobile applications which user can easily download the application from Play Store for Android users and Apple Store for iPhone users.

According to a study by Roy Morgan Research (2015), the number of bank customers using online or mobile banking to access their accounts has grown over 62 percent while the traditional bank branch is now used by just 32 percent of customers. A feature and function of the banking industry across the globe has been that it is increasingly becoming high technology and more unique. Guided by technological enhancement, banks have responded to the challenge by adapting a plan strategy, which focuses on attempting to build customer satisfaction through giving out better products and services and reduce operating costs respectively.

### 1.1.3 Internet Banking Revolution in Malaysia

The emergence technology adoption on internet banking revolution starting on 1970's with the introductory of Automated Teller Machines (ATM). According to previous study by Pang (1995), Malaysian banking industry are just about to move up very slowly and just by 1970's, this web banking industry started to fluctuated (Guru, Vaithilingam, Ismail, & Prasad, 2000). Following the steps of ATM services, tele-banking was first introduced to society during 1990's and officially on 1 June 2000, Bank Negara Malaysia already launched the first locally owned commercial banks to offer Internet banking. Malayan Banking Berhad (Maybank) became the first ever bank that offer online banking services. Maybank Berhad offers bill payment, credit card payment, and interbank fund transfer and account history.

Due to the introductory of Internet banking services in Malaysia, society might accept or might not accept this technology adoption which is causes by several aspects which ease of use, security and trust issues and features. Thus, this aspect might as well contribute to several impacts on customers satisfactory. In 2008, there are about 5.4 million of Internet banking user that have been registered officially thus increasing yearly growth rate which is approximately 40.6% comparing to the previous year. Eventually the increase rate condition have make Internet banking achieve more recognition among retail banking users in Malaysia (Ariff, Yun, Zakuan, & Ismail, 2013)

## 1.2 Problem Statement

This study is conducted in order to solve the issues regarding the impact of e-services quality towards customer's satisfaction in Internet banking usage. Lately, customers cannot get develop their full enough trust on the capability of Internet banking web (Yousafzai, Pallister, & Foxall, 2003). A successful online banking are depends on how management itself delivers an excellent e-service quality towards its customers. Most of the bank management try to develop their own understanding regarding customers perceptions of e-service quality and how far the level of customers satisfaction by reviewing e-service quality and handling surveys.

In order to get more customers, bank management should make every customers feel satisfy with their services and also their specialty features which can be done through presenting a good quality of electronic services quality (Ariff et al., 2013). Though, it is still low awareness on comprehensive of e-sq scales and the majority of already exist scale factors which is focuses only on a very limited variables (Zavareh et al., 2012).

Besides that, one of the main problems which will be discussed in this research is regarding the security of the Internet banking. Internet banking user will need to feel all the information are confidential for example name, password, transactions, and account number. Thus, a secure websites cannot allow other people from obtain the secret information (Kassim & Abdullah, 2010).