

DETERMINANT SERVICE QUALITY ONLINE BANKING TOWARDS YOUNG  
USERS IN MELAKA

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DETERMINANT SERVICE QUALITY ONLINE BANKING TOWARDS YOUNG  
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This thesis is submitted in partial fulfilment of the requirements for the award of  
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## DECLARATION

I declare that this research entitle “**Determinant Service Quality Online Banking towards Young Users in Melaka**” is the result of my own research except as cited in the references. The research has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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Date : .....

## **DEDICATION**

I would like to dedicate my work to my family, friends and not forget to my supervisor for the guidance and helped me prepared this work.

## ACKNOWLEDGEMENT

Alhamdulillah .Praise be to Allah (SWT) the Almighty for the successful completion of this thesis as through His Grace and the prayers of my beloved ones. I would have never done this alone without support of loving people around me. This final year project report was prepared for Faculty of Technology Management and Technopreneurship, Universiti Teknikal Malaysia Melaka (UTeM), basically for student in final year to complete the undergraduate program that leads to degree of Bachelor Technology Management (High Technology Innovation). This report is based on the methods given by the university.

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## ABSTRACT

Online banking is becoming a new focuses as the number internet users is increasing globally and its benefits. This study aimed to determine the quality service on online banking towards young users in Melaka. The important of this research was to ensure that bank institutions provide the best services to their customers. By late October 2018, total online banking subscribers totalled 29.0 million representing 90.5% of Malaysia's total population using online banking services offered by 32 local and international banks. The research carried out to get the view what are the services that needed by the online banking user to be implement by the bank institutions. Furthermore, delivering high quality services is a way bank institutions manage to improve their customer relationships. The research objective is to determine the quality service online banking towards young users in Melaka. In this research, data was collected through questionnaire, research strategy was survey with total 384 respondents and the analysis is carrying out using Statistical Package for Social Sciences (SPSS) and Microsoft Excel. In addition, the result of this research showed of security and privacy service quality is the most significant relevance that affects young user perception in Melaka. From the results, it was proved that bank institutions provide good services to their customers. Data about consumers help bank institutions to define the need and identify the opportunities and threats for a service. Customer response was ultimate test of whether a service strategy will succeed.

## ABSTRAK

Perbankan dalam talian menjadi tumpuan baru memandangkan bilangan pengguna internet meningkat secara global dan terdapat banyak manfaatnya. Kajian ini bertujuan untuk menentukan kualiti perkhidmatan perbankan dalam talian ke arah pengguna muda di Melaka. Yang penting dalam kajian ini adalah untuk memastikan institusi bank memberikan perkhidmatan yang terbaik kepada pelanggan mereka. Menjelang akhir Oktober 2018, jumlah pelanggan perbankan dalam talian berjumlah 29.0 juta mewakili 90.5% jumlah penduduk Malaysia menggunakan perkhidmatan perbankan dalam talian yang ditawarkan oleh 32 bank tempatan dan antarabangsa. Penyelidikan ini dijalankan untuk melihat apakah perkhidmatan yang diperlukan oleh pengguna perbankan dalam talian untuk dilaksanakan oleh institusi bank. Selain itu, penyampaian perkhidmatan berkualiti tinggi adalah cara institusi bank menguruskan untuk meningkatkan hubungan pelanggan mereka. Objektif kajian adalah untuk menentukan perbankan dalam talian perkhidmatan kualiti terhadap pengguna muda di Melaka. Dalam kajian ini, data dikumpulkan melalui soal selidik, strategi penyelidikan adalah tinjauan dengan seramai 384 responden dan analisis dilakukan dengan menggunakan Paket Statistik untuk Ilmu Sosial (SPSS) dan Microsoft Excel. Dari hasilnya, terbukti bahawa institusi bank menyediakan perkhidmatan yang baik kepada pelanggan mereka. Data mengenai pengguna membantu institusi bank untuk menentukan keperluan dan mengenal pasti peluang dan ancaman untuk perkhidmatan. Tanggapan pelanggan adalah ujian utama sama ada strategi perkhidmatan akan berjaya.



## TABLE OF CONTENTS

TITLE	PAGES
<b>SUPERVISOR APPROVAL</b>	<b>i</b>
<b>DECLARATION</b>	<b>iii</b>
<b>DEDICATION</b>	<b>iv</b>
<b>ACKNOWLEDGEMENTS</b>	<b>v</b>
<b>ABSTRACT</b>	<b>vi</b>
<b>ABSTRAK</b>	<b>vii</b>
<b>TABLE OF CONTENTS</b>	<b>viii</b>
<b>LIST OF TABLES</b>	<b>xi</b>
<b>LIST OF FIGURES</b>	<b>xiii</b>
<b>LIST OF APPENDICES</b>	<b>xiv</b>
<b>CHAPTER 1 INTRODUCTION</b>	
1.1 Introduction	1
1.2 Background of the study	2
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	4
1.6 Scope and limitations	5
1.6.1 Scope	5
1.6.2 Limitations	5
1.7 The Significant of the Research	6
1.8 Summary	7
<b>CHAPTER 2 LITERATURE REVIEW</b>	
2.1 Introduction	8
2.2 Definition of Service Quality	9
2.2.1 Traditional service quality	9
2.2.2 Online banking service quality	10
2.3 The SERVQUAL Model of Service Quality	12
2.4 Dimensions of Service Quality of Banking System in Malaysia	15
2.4.1 Tangibles	15
2.4.2 Responsiveness	16
2.4.3 Empathy	16
2.5 Service Quality toward Young Users on Online Banking System	17
2.5.1 Reliability	17

2.5.2 Ease of use	18
2.5.3 Efficiency	18
2.5.4 Security and Privacy	19
2.6 Online Banking	19
2.6.1 Definition of online banking	20
2.6.2 Online banking in Malaysia	21
2.7 Service Quality in Banking Industry	23
2.7.1 Service quality in traditional banking	23
2.7.2 Service quality in online banking	24
2.8 Young User's Perception on Online Banking	25
2.9 Theoretical Framework	25
2.10 Hypotheses	27
2.11 Summary	28

### **CHAPTER 3 RESEARCH METHODOLOGY**

3.1 Introduction	29
3.2 Research Design	30
3.3 Time Horizon	31
3.4 Location of Research	32
3.5 Methodologies Choices	32
3.6 Primary Data Sources and Secondary Data Sources	33
3.6.1 Primary Data Sources	33
3.6.2 Secondary Data Sources	33
3.7 Research Strategy	34
3.7.1 Sampling Method	35
3.7.2 Questionnaire Structure	36
3.7.3 Pilot Testing	37
3.8 Analysis Technique	38
3.8.1 Statistical Package for Social Science (SPSS)	38
3.8.2 Pearson's Correlation Coefficient	38
3.8.3 Multiple Regressions	39
3.9 Reliability Test	40
3.10 Validity Test	41
3.11 Summary	43

### **CHAPTER 4 DATA ANALYSIS AND RESULTS**

4.1 Introduction	44
4.2 Pilot test	45
4.2.1 Reliability	45
4.2.1.1 Reliability	45
4.2.1.2 Ease of use	46
4.2.1.3 Efficiency	46
4.2.1.4 Security and Privacy	47

4.2.1.5 Service Quality Online banking	48
4.2.1.6 Reliability of Total Variable for Pilot Test	49
4.2.2. Validity	50
4.3 Descriptive Statistic on Respondent Profile	50
4.3.1 Gender	52
4.3.2 Age	53
4.3.3 Academic level	54
4.3.4 Income	55
4.3.5 Occupations	56
4.3.6 Experience with online banking use	57
4.4 Test Reliability	58
4.5 Descriptive Analysis on Collected Data	59
4.5.1 Independent Variable 1: Reliability	59
4.5.2 Independent Variable 2: Ease of use	61
4.5.3 Independent Variable 3: Efficiency	63
4.5.4 Independent Variable 4: Security and Privacy	65
4.5.5 Dependent Variable: young users' perception On online banking	67
4.6 Pearson's Correlation Analysis	69
4.6.1 Correlations Independent Variable and Dependent variable	70
4.7 Multiple Linear Regressions	72
4.8 Simple Linear Regression Analysis	75
4.8.1 Hypothesis Testing 1	75
4.8.2 Hypothesis Testing 2	77
4.8.3 Hypothesis Testing 3	79
4.8.4 Hypothesis Testing 4	81
4.9 Summary	84
<b>CHAPTER 5 CONCLUSION</b>	
5.1 Introduction	85
5.2 Research Objective Summary	86
5.2.1 Objective 1	86
5.2.2 Objective 2	87
5.3 Research Limitation	88
5.4 Recommendation	89
5.5 Conclusion	90
<b>REFERENCES</b>	<b>91</b>
<b>APPENDIXES</b>	<b>94</b>

## LIST OF TABLES

<b>TABLE</b>	<b>TITLE</b>	<b>PAGES</b>
1	Dimensions of SERVQUAL models	10
2	Dimensions of e-SERVQUAL models	11
3	Table for determining sample size by Krejcie & Morgan	36
4	Likert Scale	37
5	Rules of thumb correlation range	38
6	Cronbach's alpha coefficient range and internal consistency reliability	40
7	Case Processing Summary of Reliability	45
8	Reliability Statistics of Reliability	45
9	Case Processing Summary of Ease of Use	46
10	Reliability Statistics of Ease of Use	46
11	Case Processing Summary of Efficiency	46
12	Reliability Statistics of Efficiency	47
13	Case Processing Summary of Security and Privacy	47
14	Reliability Statistics of Security and Privacy	47
15	Case Processing Summary of young users' perception on online banking	48
16	Reliability Statistics of young users' perception on online banking	48
17	Case Processing Summary of Total Variables	49
18	Reliability Statistics of Total Variables	49
19	Descriptive Statistics	50
20	Correlation of variables	50
21	Gender of respondents	52
22	Age of Respondents	53
23	Academic Level of Respondents	54
24	Income of Respondents	55
25	Occupation of Respondents	56
26	Experience with online banking system use of Respondents	57
27	Reliability Statistics	58
28	Descriptive Statistics	58

29	Descriptive Statistics of Reliability quality service	59
30	Descriptive Statistics of Ease of use quality service	61
31	Descriptive Statistics of Efficiency quality service	63
32	Descriptive Statistics of Security and Privacy quality service	65
33	Descriptive Statistics of young users' perception on online banking	67
34	Interpretation of Correlation Coefficient Descriptive Statistics	69
35	Correlations of Independent Variables and Dependent Variable	70
36	Model Summary	72
37	ANOVAa	73
38	Coefficients	73
39	Model Summary	75
40	ANOVAa	75
41	Coefficient	76
42	Model Summary	77
43	ANOVAa	77
44	Coefficients	78
45	Model Summary	79
46	ANOVAa	79
47	Coefficients	80
48	Model Summary	81
49	ANOVAa	81
50	Coefficients	82

**LIST OF FIGURES**

<b>FIGURES</b>	<b>TITLE</b>	<b>PAGES</b>
1	SERVQUAL Model Of Service Quality	12
2	Fintech Malaysia Report 2018	20
3	Online Banking Transactions in Malaysia, 2005-2016	22
4	Online Banking Fraud as a % of Total Transactions	23
5	Theoretical Framework	26
6	Gender of Respondents	52
7	Age of Respondents	53
8	Academic Level of Respondents	54
9	Income of Respondents	55
10	Occupation of Respondents	56
11	Experience with online banking system use of	57

**LIST OF APPENDICES**

<b>APPENDIX</b>	<b>TITLE</b>	<b>PAGES</b>
1	Gantt Chart	93
2	Questionnaires	95

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

This chapter has the aim to inform the reader about the increasing importance of Online Banking Services and its quality. In this chapter the researcher discusses the problem statement, research questions, research objectives and mention the scope and limitations of this study. By the end of August 2018, the totaled number of online banking subscribers was 28.3 million are representing 89.4% of Malaysia total population that using online banking services offered by bank institutions.

The development of information technology has recently contributed to the major changes in the way that services are delivered to consumers. Hence, the presence and use of online banking have greatly changed the daily activities of most people, such as shopping and banking. The popularity of banking services delivered over the internet has grown in recent years.

Therefore, providing high-quality services to the consumer is the way companies manage to enhance their customer relationships. From the mentioned above, it becomes apparent that the delivery of high-quality services to consumers is essential to survive in a highly competitive banking environment (Wang, Lo & Hui, 2003).



## 1.2 BACKGROUND OF THE STUDY

In this technology revolution world, the payment system surfaced and technology-based remote access delivery channels which include cash dispensing tellers are replaced by Automated Teller Machines (ATM), bank branches are replaced by telephone calls and postal mail is replaced by the. Moreover, online banking has developed a variety of directional services to meet consumer satisfaction. According to Sethi & Bhatia (2008), online banking means the consumer uses technology to perform banking transactions at any place without going to the banking institutions.

As the world of the technology arise nowadays, the consumer prefers to use online banking instead of the traditional method due to the following aspects such as accessibility of the services anywhere and anytime ,transactions services can perform 24 hours a day ,avoid spending time in queuing up ,it is quick and cheap (Mattila et al,2002). Online banking refers to banking services where consumers can manage of their accounts bank such as checks, transfers and bill payments via the Internet, rather than going the bank branch physically. Online banking typically consists of a secure connection to banking information via a depository's home computer or other devices.

Hence, in this research, the determinant of young user's perception towards the online banking system will be found out. Online banking is chosen as the one technology exposed to the consumer the most, which is allows users to safely store their accounts that provide early detection of fraudulent activities that may result in financial loss or damage.

### 1.3 PROBLEM STATEMENT

The problem statement for this study is the lack of anxiety in the rate of usage of the online banking system among consumers. This issue affects consumers to continue using the online banking system and cause banks to improve their services. Online banking is still in the stage of growth and development research found that there was a low rate of consumption of online banking users in Malaysia (Ang et al, 2013). There are many users who have not adopted online banking services even though the online banking system provides many features and functions that enable users to conduct banking transactions through banking services.

According to Maghoub Elradi et.al (2017), service quality dimensions are still inadequate in terms of service quality and user experience in confirming user satisfaction, user-friendly interface, and loyalty caused by lack of human relationships. Low levels of communication and acceptable Internet technology continue to cause banks unable to achieve customer satisfaction factors in an online environment. Therefore, both domestic and international banking institutions should have awareness of the quality of online banking services that influence the use of consumers that are essential for the success of banks to maintain a competitive advantage.

Nowadays with the globalization trends worldwide in terms of using the online banking system is it difficult for the consumer whether matured or young to deny from what happening around. Therefore, online banking can take some time for beginners. Moreover, some people find it difficult to believe in a fully mechanical system to carry out their financial transactions (Ernst & Young, 2014). In many cases, simple errors such as clicking the wrong button can trigger a big problem. Therefore, many individuals are constantly worried and wondering if they have done the transaction accordingly while leveraging the convenience of online banking. The various technology platforms used by banks to perform their day to day operations such as registration form, transactions and checking affected operations have evolved considerably in recent years. These developments are changing the way utilities and consumers interact and are considering a number of research questions and practices relating to the provision of electronic services.

## **1.4 RESEARCH QUESTION**

In this study, the researcher has identified questions to be answered. Some question has taken the concern to achieve a better explanation of this research:

- I. Does the reliability, ease of use, efficiency and security and privacy of service quality online banking affect the young user's perception in Melaka?
- II. What is the most significant relevance of the service quality online banking affect the young user's perception in Melaka?

## **1.5 RESEARCH OBJECTIVE**

The main objective of the study is to determine online service quality toward young users in Melaka on the online banking system. To be more specific, there are two research objectives that will be highlighted in this study. These objectives are as follow:

- I. To investigate the relationships of reliability, ease of use, efficiency and security and privacy of service quality online banking that affect the young user's perception in Melaka.
- II. To determine the most significant relevance of service quality online banking affects the young user's perception in Melaka.

## **1.6 SCOPE AND LIMITATIONS**

### **1.6.1 Scope**

Measuring the service quality toward young users by using the concept of e-SERVQUAL models based on the Melaka online banking system. By using the e-SERVQUAL model's concept, banking institutions can improve their online banking system to ensure young users satisfaction. The purpose of this research is to determine the significance of service quality online banking that affects the young users which are 15-35 range ages.

### **1.6.2 Limitations**

The target respondents for this research are 384 online banking among young users. However, some constraints may happen while making it difficult for the researcher to carry out the study. The researcher has highlighted several limitations of this study.

Firstly, time constraints are one of the limitations. The study is a research that requires a longer time to enable the researcher to get better quality information and data to archive effective and fulfillment research results. The researcher has less valid information and data to use because it is a project research and semester work of four months for the final year students as requested by the university.

Then, the second limitation of this research is financial constraints where the researcher has to face in every part of this study. The researcher needs to spend a lot of money to print out the articles and journals to make them as references for carrying out the study.

The third limitation for this research is probably the lack of cooperation from the respondents and the attitude of the respondents when the questionnaire was used to collect the data and information for the research. The researcher does not have the ability to know whether the respondents are answering the questionnaire honestly or

not and the information and data that are collected from the questionnaire cannot be guaranteed to be good quality.

## **1.7 THE SIGNIFICANCE OF RESEARCH**

This research is expected to reveal how the service quality online banking is related to young user's perception in Melaka. The findings of the research will offer important managerial insight to the banks and the banks will be able to reassess their initiatives.

In the quest to enhance the customer value, customer satisfaction and increased competitive advantages in the banking industry, the banks should evaluate the service quality that they perform on their websites. The manager of the banks must have a good understanding of the connection between services quality to upgrade their services. By performing these basic services and adding value to their services, it will lead to an increase in the young user adoption level.

Besides that, in order to have a good planning on how to target marketing campaign and the most effective way to invest for a maximum competitive impacts return, the banks should have a better understanding about the young users varying needs and wants across the market segments. In order to attract various types of young users from different segments, the manager should focus on the level of quality and types of services that they provide and offer to the young users.

In addition, the quality of online services offers a high-tech web framework that contributes to long-term customer relationships. To increase their company profits and increase the stock market in the long term, banks need to realize the value of technology in driving growth in customer-oriented organizations.

## **1.8 SUMMARY**

This chapter has explained the research's direction. The introduction briefly explains the background of this study on service quality online banking towards young users' perception in Melaka. This chapter also describes the problem statement, the objective of the research as well as the research question on the study case. The scope and limitations of this research also provide a narrow scope for research and direction for further progress. The importance of this research was to identify the service quality online banking toward young users' perception in Melaka.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

According to Wallace and Wray, a literature review is not just about a series of review but it is more about describing and summarizing what each book and journal article is about. The reason for this research is to further refine the research topic and research design, discover explicit recommendations for further research and prevent the researcher from repeating the work that has been done previously.

The outline of this chapter is presented as follows. In section 2.2, the researcher will describe the definitions of service quality, traditional service quality, and online service quality. Followed by section 2.3, the researcher will explain the definitions of online banking. In section 2.4, the researcher will describe the service quality in both traditional banking and online banking. Followed by section 2.5, the research framework is then described in detail and it will conclude with a discussion of the researcher's work. Finally, section 2.6 will cover the hypothesis of this research.

## 2.2 DEFINITION OF SERVICE QUALITY

The service quality on online banking has been widely used to approach the performance of various service organizations including banks. According to Parasuraman et al (1988), intangible results that do not have physical characteristics are services. Instead, performances and benefits provided to users who pay money for services are determined by their function. According to Gefan (2002), a comparison made by users between the quality of service they wish to receive and the quality of service they actually receive is the quality of service. Service quality is a critical success factor that affects competitiveness among service organizations, according to Auka, Bosire, and Matern (2013). Kashif et al. (2015) claim a cultural phenomenon is a measure of the quality of services produced and marketing strategies.

### 2.2.1 Traditional service quality

In recent years, both of the researchers and the practitioners are considerably interested in service quality. The definition of service quality is the comparison made by the customer between the expectations of service and the perceptions of the service that they have received. If online customers choose purely internet-based suppliers with basic customer services, they still need many services that are provided by traditional channels (Yang and Fang 2004).

A process consisting of a series of intangible activities that are common, but should not necessarily always happen in the interaction between the user's employee and the service or the source or physical source or system or service provider, provided as a solution to the user's problem is a service (Grönroos, 2000). According to all these initial findings, how well users are focused primarily on the expectations that are fulfilled by the services delivered is measured as the quality of service received.

According to Parasuraman et al. research (1985) focus group has identified ten detailed dimensions about the quality of service, access, credibility, responsiveness, credibility, communication, efficiency, courtesy, security, understanding and customer knowledge. These ten dimensions have been described further and developed