



**FACULTY OF TECHNOLOGY MANAGEMENT AND
TECHNOPRENEURSHIP**

**BACHELOR OF TECHNOLOGY MANAGEMENT
(HIGH TECHNOLOGY MARKETING)**

4 BTMM

SEMESTER II SESSION 2018/2019

FINAL YEAR PROJECT

**DIMENSIONS OF SERVICE QUALITY INFLUENCE CUSTOMERS'
ADOPTION TOWARDS DIGITAL BANKING**

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'I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality for the purpose of awarding The Faculty of Technology Management and Technopreneurship, Bachelor of Technology Management (High Technology Marketing)

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TITLE PAGE

DIMENSIONS OF SERVICE QUALITY INFLUENCE CUSTOMERS' ADOPTION
TOWARDS DIGITAL BANKING

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This report is presented as a part of the requirements of the award of the Bachelor of
Technology Management (High Technology Marketing)

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2019

DECLARATION PAGE

"This declaration is to clarify that all of the submitted contents of this project are original. All the work process involved is from my own idea and creativity. All contents of this project have been submitted as a part of partial fulfillment of Bachelor of Technology Management (High Technology Marketing). I hereby admit that this report is the result of my own work except for summaries and quotations that I have explained in each source."

Signature :

Name :

Date :

DEDICATION PAGE

I dedicate the project to my beloved parents and lecturers for their never ending moral support and prayers which gives me strength in my academic life.

ACKNOWLEDGEMENTS

First of all, I would like to take this opportunity to express my gratitude towards the person whom I respect, Prof. Dr. Ahmad Rozelan Yunus, my supervisor for Final Year Project 1. Under his valuable guidance and supervision, I am able to accomplish my report.

Deepest thanks and appreciation to my parents that given me full of support for the report completion, from the beginning till the end. Also thanks to all of my friends and everyone, that have been contributed by supporting my work and help myself during the final year project progress till it is fully completed.

Appreciation is also directed to all involved whether directly or indirectly assisting in the success of this research project. Hopefully this report will become a useful source of reference to other student in the future.

ABSTRAK

Perubahan teknologi baru telah menyebabkan sektor perbankan terus meningkat dan maju perkhidmatannya. Bilangan pengguna Internet semakin meningkat secara mendadak di Malaysia. Walau bagaimanapun, kadar penggunaan terhadap perbankan digital dianggap rendah di Malaysia. Disebabkan ini, beberapa isu telah dibangkitkan seperti pengguna berasa kurang selamat atau kurangnya pengetahuan pelanggan untuk menggunakan bank berteknologi tinggi dan isu ini akan diambil kira dalam kajian ini untuk menyiasat faktor-faktor yang mempengaruhi penggunaan pelanggan terhadap perbankan digital. Oleh itu, objektif utama penyelidikan ini adalah untuk mengkaji kesan pembolehubah bebas iaitu Keselamatan dan Privasi, Kecekapan, dan Kebolehpercayaan terhadap pembolehubah bersandar kepada Penggunaan Pelanggan terhadap Perbankan Digital di Selangor, Malaysia. Dalam kajian ini, penyelidik menggunakan kaedah soal selidik untuk mengumpulkan data daripada responden. Terdapat 400 set soal selidik kaji selidik akan diedarkan dan dikumpulkan dari responden yang memiliki akaun bank di Selangor, Malaysia. Seterusnya, data statistik yang dikumpul akan dianalisis dengan menggunakan perisian Pakej Statistik untuk Sains Sosial (SPSS). Untuk menguji hipotesis yang dibangunkan dalam kajian ini, terdapat beberapa analisis yang dijalankan iaitu analisis deskriptif, ujian kebolehpercayaan, dan ujian Regresi untuk mencari hubungan antara pembolehubah bebas dan pemboleh bersandar. Setelah data telah dianalisis, penyelidik menambah beberapa cadangan dan kesimpulan mengenai kajian ini.

ABSTRACT

The rapid changes of new technology has caused banking sector keep on improving on its service. The number of Internet users has increased potentially in Malaysia but the adoption rates towards digital banking is considered low in Malaysia. Due to this situation, several issues have been raised such as lack of security or customers' lack of knowledge to use the technology bank offer and these will be taken into account in this study to investigate the factors that affect customers' adoption towards digital banking. Thus, the main objective of this research is to examine the impact of independent variables which are Security and Privacy, Efficiency, and Reliability towards dependent variable which is Customers' Adoption towards Digital Banking in Selangor, Malaysia. In this research, researcher used the questionnaire method to collect the data from the respondents. There are 400 sets of survey questionnaires distributed and collected from the respondents whom owned bank account in Selangor, Malaysia. Next, the result of statistical analysis is analyzed by using Statistical Package for the Social Sciences (SPSS) software. In order to test the hypothesis developed in this research, there are few analysis conducted which are descriptive analysis, reliability test, and Regression analysis to find the significant relationship between independent variables and dependent variable. After analyzed the data, researcher added some recommendation and conclusion about this research.

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LIST OF SYMBOL

α	=	alpha
β	=	Beta Coefficient

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machines
SERVQUAL	Service quality
Wi-Fi	Wireless Fidelity
PIN	Personal Identification Number
Tele-banking	Telephone banking
IVR	Interactive Voice Response
m-banking	Mobile banking
WAP	Wireless Utility Protocol
SMS	Short Message Service
IT	Information Technology
TAC	Transaction Authorization Code
SPSS	Statistical Package for Social Sciences

CHAPTER 1

INTRODUCTION

1.0 Introduction

Hereby researcher introduction where contained of several sections. The first section is an information about the background study of researcher topic which was dimensions of service quality influence customers' adoption towards digital banking. The second section is problem statement which describes the importance and the foundation of study. Next, this research also mentioned about the research questions and research objectives. Research questions indicate the determinants which influence the customer's adoption towards digital banking. Researcher assumed that this chapter was the beginning of discussion to bring completion research of this study. Both scope and limitation of study are included in this chapter too.

1.1 Background of Study

The word "banking" can be defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this

money to the one whom in need in order to earn profit. The bank encourages to have extreme flow of money to have productive use and investments. This allows the economy to grow better. Banking is a service where widely used by everyone worldwide. Bank is a financial institution that receives deposits from the public and forms credit. Banks provide service which manage their customers assets, make loans, investments, allows customers use credit cards and others services. Different banks offer diverse kind of services. Moreover, each bank do have the authority to set their own bank interest rates. Customers too have the authority to keep their assets in their choice of bank. Usually their pick based on the bank services which satisfied them or not.

As time flows, technology is changing the way businesses work and deliver products or services to consumers in more efficient and faster way. There are many areas that banks utilizing technology into financial activities to help develop the customer journey. For example the improvement of banks using technology, customer service, online banking and fraud detection. Before the existence of virtual banking world, people need to go to bank to withdraw money, transfer funds from one place to another, and sort out their finances. However, people nowadays doesn't need to do that due to the present of digital banking. Digital banking is getting more and more sophisticated on a daily basis. Individual can transfer money or pay for goods with just a click of a button by using their gadgets.

Moreover, digital banking is common nowadays. There are few kind of digital banking like automated teller machine (ATM) banking, Internet banking, telephone banking and mobile banking. Technology have given banks a potential to extend and transform to ensure bank customers high expectations. Developments in technology are allowing for delivery of banking products and services more useful and effective than ever before. However, there are several customers not fond of using these digital banking provided due to difficulties to handle, complicated process and other factors. Banks urge to know their customers problem in order to improvise the delivery systems to customers by deliver high service quality.

Service quality is the judgment of customers about the overall of a product or service. Although service quality (SERVQUAL) has been useful to several business industries, different dimensions and the construct nature were industry related. There are several of SERVQUAL which the dimensions are tangibles, responsiveness, reliability, assurance, efficiency and empathy.

Service quality of a bank is crucial to attract customers' loyalty. Bank needs to ensure that the customers are satisfy with the service provided and it is better to make it simple for everyone to understand. Since the technology is improving continuously, banking service need to update with latest technology to catch up with the phase. Bank uses technology services for their service. For example, banking using Internet or called as Internet banking or online banking.

Service quality in digital banking need to be excellent and to get acknowledgement and satisfaction from customers. Great customers' satisfaction allow bank to improve their service and get to know their customers' situation better. Thus, banks need to have good service quality for their digital banking in order to attract customers to approach the use of virtual banking. Research title of study is "Dimensions of Service Quality Influence Customers' Adoption towards Digital Banking".

1.2 Problem Statement

Customers' satisfaction is one of the main factors for banks in order to stay competitive in this banking sector. However, low customer's satisfaction often lead to business failure and customers eventually might shift to others. It is not easy to fulfill the requirements or needs of majority customers because there are some problems exist to restrict the improvement of banking sectors.

From the year of 2007 to 2017, the overall of internet users in Malaysia has been increasing from 55.7% to 85.7% (Alzahrin, 2018). Theoretically, the higher the number of internet users, the more users uses Internet for their banking activities. Although the growth of online banking in Malaysia has shown an increasing trend in recent years, 37.6% (Alzahrin, 2018), the adoption rates of online banking is considered low in Malaysia as compared to other Asian countries. Problem arise for this research where such questions being questioned that are “does the lack of security trust of Malaysians discourage them from using digital banking services?” or they feel complicated when using digital banking because of the system?

1.3 Research Goal

The main purpose of this research is to understand the adoption of digital banking services by customers. This will be done by studying the relationship between independent variables (Security and Privacy, Efficiency, and Reliability) and dependent variable (Customers’ Adoption towards Digital Banking). Therefore, the research goals are:

1. To study the different factors affecting the customers adoption of digital banking.
2. To study the relationship between service quality of digital banking towards customers.

1.4 Research Questions

Four research questions have been structured based on problem statement.

1. How security and privacy influence customers’ adoption towards digital banking?
2. How service quality of efficiency can affects customers to use digital banking?
3. How service quality of reliability can affects customers to utilize digital banking?
4. Which service quality can affects customers’ adoption towards digital banking?