

The Impact of Internet Banking Service Quality on Customer Satisfaction

(A Case Study of a Domestic Commercial Bank in Dhaka, Bangladesh)

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Abstract

This research study focuses on Internet banking service quality at one of the leading scheduled banks in Bangladesh. Specifically, it aims to determine the relationship between service quality and customer satisfaction with the Internet banking services provided by Dutch-Bangla Bank Limited (DBBL), located in Dhaka, the capital of Bangladesh. Service quality is measured through six dimensions: customer support, ease of use, reliability, responsiveness, service security, and transaction efficiency.

The survey method was used to collect data and questionnaires were distributed to 400 respondents; DBBL customers using its internet banking services. The data was analyzed by Statistical Package for Social Science (SPSS). Descriptive analysis and Pearson's Correlation were used to test the hypothesis and obtain accurate results. The findings indicate that transaction efficiency has a high mean value and customer support, ease of use, reliability, responsiveness, and service security a medium mean value. All null hypotheses were rejected. Moreover, service security and transaction efficiency have a strong positive relationship with customer satisfaction. Customer supports, ease of use, reliability, and responsiveness have a moderate positive relationship with customer satisfaction. Several recommendations were made, pointing to the need to keep improving all aspects of internet banking and remain a pioneer in terms of introducing new technology to the industry. Service security is especially important to customers and should continue to remain one of the bank's prime concerns.

Introduction

This study hypothesizes that Internet banking services quality improves customer satisfaction level by 25%. A case study of a Domestic commercial bank in Dhaka, Bangladesh. Over the years, more and more people have access to banking services. In Bangladesh, the level of access to banking services has increase by 33% since 1999 (Nupur, 2010, p. 149). The increase in access to banking services translates to increase number of customers for every bank (Shamsuddoha, 2008). The increased number of customer stretches the banks available assets and facilities to offer the required services to the increase number of people even as it increases the banking revenue (Shamsuddoha, 2008). Most of the banks control their expansion and allocation of resources in reaction to the increased number of customers with the intention of cutting on operational cost.

Studies by Nupur, (2010 p. 149) have shown that increase in the level of banking has also translated to an increased number of commercial banks making the financial services industry more competitive. Increased level of competition has pushed the banks to institute measures that reduce their operational cost even as the value requirement for customers increase. One of the innovative ways that are able to reduce the operational costs, increase the number of customer services, and add value to the customer service is internet banking.

This article supports the thesis that Internet banking services quality improves customer satisfaction level by 25%. The study focuses on a case study of a Domestic commercial bank in Dhaka, Bangladesh. The study supports its position through analysis of existing literature and previously conducted research. The article also employs financial and statistical reports to support its position.

Background

Bangladesh is one of the countries in Asia that is increasingly accepting banking service. Other than being one of the countries that perform well in cricket, Bangladesh is categorized in the next eleven developing nations (Bank, 2015). Its economy stands at US\$209 billion with per capital income of US\$1,190 (Bank, 2015). The service sector is the most vibrant sector in the country accounting for 51% of the GDP with the industry and agriculture sector following with percentages of 30% and 18% respectively (Bank, 2015).

Being the seventh largest natural gas producer in Asia and having exports amounting to US\$30 billion in the year ending 2014, Bangladesh is an economic power in Asia (Bank, 2015). After its independence, the country emphasized on education, health, and economic development as its core pillars in progress.

Bangladesh has the best mixture of attributes that foster adoption of Internet services and acceptance of the banks within its operations. The increased educational level encourages adoption of new ideas including the use of technology to improve economic and operational efficiency. The country has the right environment being bordered to the Asian technology giants such as India. The country has the largest financial industry in South Asia and has an average economic growth of 6% that is evident in its ever increasing middle class (Bank, 2015). The appropriateness and applicability of internet banking is not only supported by the environmental conditions of the country's banking sector but it is also encouraged by the economic and environmental condition.

Internet Banking

Internet banking is a growing area in the banking and financial industry. Internet banking is defined as the use of internet infrastructure to offer banking services (Shamsuddoha, 2008). The concept is also defined as the use of information and communication services and methods to offer conventional banking services. The banking method allows the conventional banking operations to be possible within an internet technology infrastructure. It is the use and access of banking services through computers or handheld internet devices (Shamsuddoha, 2008).

Some of the services that are offered through the platform includes, checking of balance, withdrawal of money, purchases directly from the bank account, transfer of funds, deposits of funds, and contact

customer care. Internet banking services offered vary across commercial banks in Bangladesh (Sobhani, Amran, & Zainuddin, 2012). However, these basic services are offered through the platform to the customers. These services are offered in most commercial banks.

Internet Banking Services

Internet banking allows the customers to access their bank details from the comfort of their computers. Through a unique account identification detail, a customer can access a platform or a page that contains their banking information. The internet banking services contains a list of the recent transactions, available balance, and user services (Ahmad & Khanal, 2007). Moreover, the platform contains features that allow direct communication between the customer and the bank.

Internet banking positions the customer to be in-charge of their accounts. The operations and activities that are ordinarily performed by the bank administrator are open for the customer to apply. However, these activities are restricted. There are a number of fundamental issues that cannot be changed by the customer (Ahmad & Khanal, 2007). The customer cannot change the details of the account. Changing the details other than the authenticating details would equip the customer with the ability to alter the identity of the account. This administrative feature is left for the bank.

Internet banking services give the customer ready access to their information for review and financial control. Information such as bank statements and bank balances are no longer under the restraint of the banker but availed to the customer (Yang & Ahmed, 2009). Moreover, it devolves some of the banking services to the customer especially those that would not alter the security and status of the bank. To the customer, online banking spells freedom while to the bank, lower operational costs.

Customer Satisfaction in Retail Banking

Customer satisfaction is a key success factor in the banking sector in Bangladesh. The process of customer satisfaction begins with understanding the requirements and understanding of the customers (Yang & Ahmed, 2009). Only through understanding these factors would a bank evaluate a process and its effectiveness in meeting the customer satisfaction. Various studies have tried to understand the customer satisfaction issues in Banking (Siddique & Islam, 2001). Exploratory studies that focus on secondary

data and empirical researches have been conducted to determine the actual needs of the customers.

The grounded theory method in studies by Crook & Kumar, (1998) has been able to determine the customer satisfaction parameters in the banking industry starting from the basic principles. This approach offers the best framework for analysis and understanding of the customer satisfaction in a way that can be connected to an academic concept. Studies by Siddiqi (2011, p. 17) indicate that the customer satisfaction parameters in the banking sector are timely service, the level of trust nurtured between the bank and the customer, security, available control of cash, access to a myriad of services, and access to accurate and updated information. These values are interchangeable in priority across various banks. However, they are the values that appear more frequently across all the banks that were assessed in the study.

Measuring Customer Satisfaction

The study conceives a 25% increase in customer satisfaction. The parameter of measure is derived from Jham & Khan (2008) determinants of performance in the banking sector. The parameter defines that percentage or the level of customer satisfaction to be commensurate to the number of customer issues addressed by the banks initiative to meet the total demands. While it is impossible to realize a practical 100% customer satisfaction, a percentage of the general issues raised out of identified issues are calculated. A theoretic 100% is possible. 16 issues were identified and the study finds that internet banking has the potential to address 4 of the issue conclusively.

Internet Banking Quality and Customer Satisfaction

There are a myriad of advantages that are enjoyed through internet banking. These advantages not only inspire the use of online banking over the conventional banking system but they also enhance the quality of customer satisfaction (Akther, Fukuyama, & Weber, 2013). To evaluate the extent of influence of customer satisfaction by internet banking in Bangladesh, it is important that the concept of customer satisfaction is discussed and analysed.

Customer satisfaction differs with companies and in extension industries that offer the service. The nature of the product or the service that is offered determines the parameters of measuring the level of customer satisfaction. In the banking industry, the customer focuses on the access to finances, access to financial information, the level of security, and the convenience

of the service (Jham & Khan, 2008). To enhance customer satisfaction, companies within these industries must ensure that these parameters are optimized towards proper value access. It is also important to note the customer satisfaction is relative to the consumer behaviour for the product and region. The consumer behaviour in the banking industry in Bangladesh forms the basis of interpretation of the level of customer satisfaction derived from internet banking service (Okumu^o, 2005). The following advantages are offered through internet banking that server towards customer satisfaction.

Timely Retail Service to the Customers

Bangladesh is a growing economy with a vibrant financial service sector in South Asia. The competitive position of any commercial in such an environment relies heavily on its ability to offer timely services to its customers. Bangladesh banking statistics indicate a steady rise in the number of people that have bank accounts (Okumu^o, 2005). The increase in number of people who are opening accounts is more than the number of branches opened within the country. The result is a biased growth of customers that does not match the available infrastructure. This trend usually ends up creating a bottlenecked service delivery.

The results of these operational challenges are usually long service hours within the banking hall. Customers are forced to spend long hours to access banking services in their respective banks. An analysis of the banks customer behaviour in Bangladesh by Rashid & Hassan, (2009) indicates that customers' common complaint is the time that is spent on the banking hall to access the banking services. Most of the customers criticize the bank tellers for being slow and unreasonable in time.

Customer satisfaction is met through internet banking by offering timely service. Online banking offers customer quality service by reducing the time that is spent on any transaction. Other than the time that it would have taken to move from one place to the bank and to another location, internet banking offers the convenience of avoiding the crowd that is common in Bangladeshi banking halls that seek the banking services (Khan, Hassan, & Shahid, 2008). Simple banking transaction and services such as money transfer or balance confirmation can be conveniently access through decentralization of the service from a common banking hall to customers' computers. This way, the service offered is fast and time saving without any compromise on the quality.

Updated and Accurate Financial Information

The financial position of a person is highly fluid. With every expenditure and receipt, a change is realized in the financial position of the person. While the financial status of a person is fluid, it is important for one to consider their financial position before making any financial decision. However, the process of assessing and confirming the financial standing at any point is controlled by various measures in the interest of security (Khan, Hassan, & Shahid, 2008). Ordinarily, one needs to visit a bank, carry their personal identification, and provide necessary bank account identification to be provided with some of their financial position.

Until recently, Bangladesh commercial banks would charge a nominal fee for one to access their financial statement. This means that for one to know their financial standing, they would have to pay for the service. The payment is usually an administrative cost that does not offer any direct value to the customer (Khan, Hassan, & Shahid, 2008). These events made it difficult for one to prove their financial position and even confirm it whenever they need to make a financial decision.

Internet banking improves customer satisfaction by ensuring easy access to the vital information which is their financial standing. The complicated process of accessing financial information whenever needed is made easier and more efficient notwithstanding the necessary security measure (Khan, Hassan, & Shahid, 2008). The internet platform of the bank is protected by online security measures that control access to the vital information. The process is made more efficient without compromise in security using a unique identification with a password. Customers can be updated on their financial position at no cost whenever they need. The vital need for financial awareness is readily available and updated to provide customer satisfaction.

Documentation and Availability of Comprehensive Financial Information

Among the listed customer demands for a bank in Bangladesh is comprehensive financial information. Ordinarily, the access of financial information from banks is through periodic communications in the form bank statements sent through post. However, customers demand more information on their finances from the bank. This service has not been easily availed to the customers.

The platform of internet banking improves customer satisfaction by availing more information to the customers. A study by Khan, Hassan, & Shahid, (2008) indicated that trust between the banker and the customer is enhanced by the level of transparency and access to vital information from the bank. Internet banking therefore improves the trust of the customer to its financial service provider which is the bank through internet banking. The ability of internet banking to allow the customer more control on their finances develops the trust between the two. A customer is more satisfied that their finances are properly managed and safe when all the necessary information is available.

More Services Offered Within one Location

There are a myriad of services that are accessible within the internet banking infrastructure. Commercial banks in Bangladesh have combined these services and streamlined their online operations such that they can be accessed within the internet platform. The internet banking offers the customers more services within one location. Compared to the automated teller machines and even the over the counter services, internet banking affords additional services such as online payment and money transfer across other banks.

Studies indicate that 43% of the total crimes committed in Bangladesh were related to street cash robbery. These events are significantly reduced with access to onsite money transfer. The risks associated with carrying cash are significantly reduced through the assorted services offered by the internet banking service. Customer satisfaction is significantly increase through safety in finance and improved access to financial services.

Conclusion

The review finds that four out of the 16 issues identified as gaps in customer quality service delivery are remedied through internet banking. Internet banking has the ability to close the gaps by improving timely delivery of service, offer more services within a single platform, avail financial information, and offering updated accurate information to the customers. By addressing these issues, 25% of the customer satisfaction gaps can be eliminated. This position is supported by existing literature and researches that document potential of internet banking to address the identified issues. It is thus imperative that the measure sufficiently meets the thesis position in Bangladesh.

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