

## **AN ANALYSIS OF THE CUSTOMER SATISFACTION WITHIN THE BANK IN TRINCOMALEE – WITH PARTICULAR REGARD TO ONLINE BANKING**

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### **ABSTRACT**

A system allowing individuals to perform banking activities at home, via the internet is online banking. Online banking through traditional banks enable customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments, and stop-payment requests, and some even offer online loan and credit card applications. Account information can be accessed anytime, day or night, and can be done from anywhere. Today, need to improve online banking services in Sri Lankan banking industry have come under limelight due to stiff competition where banks are trying to attain competitive advantage through the provide high quality online banking services.

Researchers have found that significant number of customers are either not aware of Internet Banking Services or do not trust IB as a channel to conduct financial transactions. They have also found that customers may adapt the IB services only if they perceive the technology to be useful. This research paper aims to find out the customers perception to internet banking and also tries to examine whether there is any relation between various demographic variables and customers perception about internet banking.

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This study investigates the relationship between online banking and customer satisfaction in the banking industry with a focus on People's bank, Trincomalee district, Sri Lanka. A total of 100 respondents participated in the study. Research questions and objectives were set, alongside the hypotheses that were formulated and tested. Descriptive statistics comprising the simple percentage and tables were used for data presentation and analysis. Pearson product moment correlation coefficient was employed in testing our hypotheses. The study reveals that Information Provision, Reliability, Responsiveness, Efficiency, and Security and Privacy were have effect on customer satisfaction and that there is a positive relationship between Information Provision, Reliability, Responsiveness, Efficiency, and Security and Privacy and customer satisfaction. The researcher concluded by recommending that organizations should focus more attention on Reliability and efficiency, because of its effects on customer satisfaction. To ensure that customer satisfaction level is high, organization must first of all know the expectations of the customers and how they can meet such expectations. Customer satisfaction helps in customer loyalty and retention. It has been discovered that it costs to attract new customer than to retain existing ones. It is also recommended that organizations should welcome suggestions from customers and more programmes should be designed to measure quality of online banking and customer satisfaction.

**Key Words: - Online Banking, Customer Satisfaction, Banking Industry**

## **INTRODUCTION**

Since the mid-1990s, there has been a fundamental shift in banking delivery channels toward using self-service channels such as online banking services. In general, Europe has been and still is the leader in online banking technology and world age (Schneider, 2001). By comparison, at the end of 2000 only roughly 20 percent of the World Bank offered online banking services and only 20 percent of world private banking consumers equipped with an internet connection world online banking services (Sheshunoff, 2000; Orr, 2001). By the end of 2002 about 120 largest world banks offered online banking services (Pyun et al., 2002). Although in recent years this number has grown rapidly, there is some evidence supporting the opposite fact that online banking acceptance is faced with problems. Robinson (2000) for instance found that half of the people that have tried online banking services will not become active users.

An interesting and notable difference between world and European banks is that world banks are not allowed to have a vast bank branch network covering the whole country (Pyun et al., 2002). The world online banking services as well as ATMs have fostered competition between banks in the world.

Online banking in this study is defined as an Internet portal, through which consumers can world's different kinds of banking services ranging from bill payment to making investments. Therefore banks' Web sites that offer only information on their pages without possibility to do any transactions are not qualified as online banking services.

### **STATEMENT OF THE PROBLEM**

The consumer acceptance plays an important role in online banking system. This research based on the Peoples Bank, main branch at Trincomalee. In earlier it had manual system after that it became a computerized bank, now it has an online bank system.

The online banking system faces some problem on consumer acceptance. First of all, the consumers are not familiar with the bank automation introduced by the bank. Therefore, the information about online banking service and its benefits is a critical factor influencing the consumer acceptance and the security and privacy have weak relationship with the consumer acceptance. By this study, the researcher will investigate what are of factors contributing to the customer satisfaction.

### **LITERATURE SURVEY**

Online banking acceptance has gained special attention in academic studies during the past five years as, for instance, banking journals have devoted special issues on the topic (e.g. Karjaluoto et al., 2002; Waite and Harrison, 2002; Bradley and Stewart, 2003; Gerrard and Cunningham, 2003; Mukherjee and Nath, 2003). We can find two fundamental reasons underlying online banking development and diffusion. First, banks get notable cost savings by offering online banking services. It has been proved that online banking channel is the cheapest delivery channel for banking products once established (Sathye, 1999; Robinson, 2000; Giglio, 2002). Second,

banks have reduced their branch networks and downsized the number of service staff, which have paved the way to self-service channels as quite many consumers felt that branch banking took too much time and effort (Karjaluo et al., 2003). Therefore, time and cost savings and freedom from place have been found the main reasons underlying online banking acceptance (Polatoglu and Ekin, 2001; Black et al., 2002; Howcroft et al., 2002).

Several studies indicate that online bankers are the most profitable and wealthiest segment to banks (Mols, 1998; Robinson, 2000; Sheshunoff, 2000). On this basis, no bank today can underestimate the power of the online channel. Luxman (1999) for instance estimates that in the near future the online channel reinforces its importance especially in the countryside, where banks have closed many branches. However, there is no supporting evidence on this regional issue. Without the possibility of managing banking affairs directly from home or office, consumers easily perceive troubles in managing their financial affairs such as paying bills.

As noted, online banking offers many benefits to banks as well as to consumers. However, in global terms the majority of private bankers are still not using online banking channel. There exist multiple feels about the system. Especially if the users do not rely on the system and its information their behavior toward the system could be negative. Success is not necessarily dependent of the technical quality of the system (Ives et al., 1983). Using the system is connected with the effectiveness of the system – systems that users regard as useless cannot be effective. Therefore it is important to find out the reasons why people decide to use or not to use information system (IS). This knowledge will help both systems designers and developers in their work (Mathieson, 1991)

## **RESEARCH QUESTIONS**

- Does the factor of the information provision that influences Customer satisfaction?
- Does the factor of the reliability that influence Customer satisfaction?
- Does the factor of the responsiveness that influences Customer satisfaction?
- Does the factor of the efficiency that influences Customer satisfaction?
- Does the factor of the security and privacy that influences Customer satisfaction?

- Is there any significant relationship between the information provision, reliability, responsiveness, efficiency, security and privacy and Customer satisfaction?

## **OBJECTIVES OF THE RESEARCH**

The study carried out multiple objectives. As overall objectives, this study is trying to evaluate consumer satisfaction of online banking in Peoples Bank, main branch at Trincomalee. Sub objectives are as follow.

- To find out whether the information provision affects Customer satisfaction.
- To find out whether the reliability affects Customer satisfaction.
- To find out whether the responsiveness affects Customer satisfaction.
- To find out whether the efficiency affects Customer satisfaction.
- To find out whether the security and privacy affects Customer satisfaction.
- To understand the relationship between independent variable of information provision, reliability, responsiveness, efficiency, and security and privacy and dependent variable of customer satisfaction.
- To find out the benefits of the online banking system for the society.

## **SIGNIFICANCE OF THE RESEARCH**

Nowadays the average cost to acquire a new customer in bank is increasingly high. As a consequence of these high costs, relating and growing the existing customer becomes in the banking industry increasingly the number of service it provides, to include more than just deposit and withdrawal. Before the introduction of computers long working hours were necessary in banks, in banks, since every task had to be carried out manually. A customer want fill forms and wait a lag queues to withdraw money and need more employees and space to keep ledgers and etc.

As the environment of numerical data banks is vast, a computer is the most suitable equipment. Computerization enables a bank to provide extended hours for service to its consumers. A large number of consumers could be deal with and processing data also easy and speed mistakes and in efficiencies were reduced interest in accounts could be calculated on daily hails on computers.

(e) Benefits of the project: This study will identify the failures over the online banking system and it will help to bank to overcome the deficiencies and this will provide suggestions and recommendations success the online bank system.

## RESEARCH METHODOLOGY

### Sample

The sampling method that will be used in this study is simple random sampling. The group of population in this study is customers in Peoples Bank, main branch at Trincomalee. The population of the study consists of 985 customers but the researcher is to collect first 100 customers in the order of the list.

The numbers of customers selected to the sample from bank is depended on the total number of customers. The following tables show the number of customer size of the sample in bank. (Information Related in 2015).

Table: Sample size

Bank Name	No. of bank customers	No. of online Banking users	Sample size
People's Bank, main branch.	60219	985	100
<b>Total</b>	<b>60219</b>	<b>985</b>	<b>100</b>

### Hypotheses Development

H1: - There is a significant relationship between information provision and Customer Satisfaction.

H2: - There is a significant relationship between reliability and Customer Satisfaction.

H3:- There is a significant relationship between Responsiveness and Customer Satisfaction.

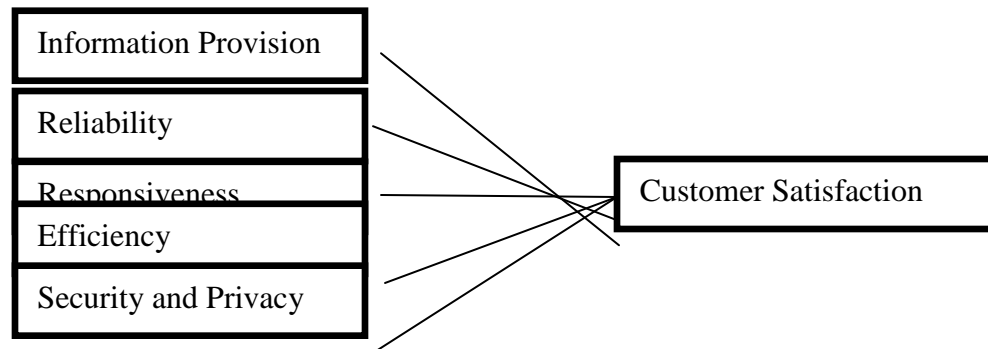
H4:- There is a significant relationship between Efficiency and Customer Satisfaction.

H5:- There is a significant relationship between Security and Privacy and Customer Satisfaction.

### Conceptual Framework

In this model a causal relationship is assumed between the Customer Satisfaction within the Bank, main branch at Trincomalee – with particular regard to Online Banking. Information

provision, Reliability, Responsiveness, Efficiency and Security and Privacy have been identified as independent variable, and Customer Satisfaction has been identified as dependent variable in the study.



(Source: Developed for the research Purpose from Theoretical Framework of the study)

Figure-1 Conceptual Framework

### Operationalization of Variable

Table-1 Operationalization Of variable

Concept	Variable	Indicator	Measurement
Information Provision	<ul style="list-style-type: none"> <li>Information shared</li> <li>Manage information</li> </ul>	<ul style="list-style-type: none"> <li>System</li> <li>Quick Information</li> </ul>	Questionnaire
Reliability	<ul style="list-style-type: none"> <li>Authenticity of information</li> <li>Quality</li> </ul>	<ul style="list-style-type: none"> <li>Confident</li> <li>Honesty</li> </ul>	Questionnaire
Responsiveness	<ul style="list-style-type: none"> <li>Response</li> <li>Customer Service</li> </ul>	<ul style="list-style-type: none"> <li>Responsibility</li> <li>Guidance</li> </ul>	Questionnaire
Efficiency	<ul style="list-style-type: none"> <li>Accessibility</li> <li>Speed of service</li> </ul>	<ul style="list-style-type: none"> <li>Effectiveness</li> <li>Guidance</li> </ul>	Questionnaire
Security and	<ul style="list-style-type: none"> <li>Trust</li> </ul>	<ul style="list-style-type: none"> <li>Control</li> </ul>	Questionnaire

Privacy	• Flexibility	• Safety	
Customer Satisfaction	• Contact • Assurance	• Service quality • Right service	Questionnaire

(Source: Developed for the research Purpose)

### Methods of Data Analysis and Evaluation

- Five point Likert Scale

In this research one of the ordinal measures called “**Five Point Likert Scale**” was used. A likert scale consist of a series of evaluative statements concerning an attitude object; respondents are asked to rate the object on each statements using a five point as follows.

Levels	Scale values
Strongly Disagree	1
Disagree	2
Marginal/Neutral	3
Agree	4
Strongly Agree	5

By using this scale, it will be easy to find out which factors affect for Customer satisfaction.

Based on the values indicated in the questionnaire a mean value for each question is calculated.

$XI$ = Mean value of variable.

$I=1, 2, 3, 4, 5$

The value of each respondent for a variable is compared with the mean value. Therefore the decision rule can be formulated as follows.

### Decision CriteriaDecision Rule

- |                       |   |
|-----------------------|---|
| $1 \leq X_i \leq 2.5$ | Factors low supportive to Customer satisfaction.        |
| $2.5 < X_i \leq 3.5$  | Factors moderately supportive to Customer satisfaction. |
| $3.5 < X_i \leq 5$    | Factors highly supportive to Customer satisfaction.     |



### Bivariate Analysis

The importance of bivariate analysis is to see whether two variables were associated. Two variables were said to be associated or related when the distribution of values on one variable differed for different values of other. Through this analysis relationship between the two variables and the degree of relationship can be deducted.

Range	Decision attributes
$r=0.1$ to $0.29$ or $r=-0.10$ to $-0.29$	Less Impact
$r=0.3$ to $0.49$ or $r=-0.3$ to $-0.49$	Moderate Impact
$r=0.5$ to $1.0$ or $r=-0.5$ to $-1.0$	High Impact
(+Sign indicate-positive impact, -Sign indicate-negative impact)	

### Hypothesis Testing (Correlation Analysis)

The null hypothesis was formulated as

**H<sub>0</sub>**: There is no positive relationship between two given variables

The alternative hypothesis was formulated as

**H<sub>A</sub>**: There is positive relationship between two given variables

Decision rule

Reject H<sub>0</sub> and Accept H<sub>A</sub> if  $r > +1.96$  or  $r < -1.96$  when  $p < 0.05$

Where,  $p$  = level of significance

### ANALYSIS AND INTERPRETATIONS

Table V: - Demographic Factors

Demographic	Category	No of respondent in category	Percentage
Age	18-24	22	22
	25-31	29	29
	32-38	24	24
	39-45	10	10

	over 46	15	15
		100	100
Sex	Male	55	55
	Female	45	45
		100	100
Marital Status	Single	41	41
	Married	59	59
		100	100
Education	Below O/L	3	3
	O/L	13	13
	A/L	50	50
	Graduate	25	25
	Post Graduate	9	9
		100	100
Account in Peoples' Bank	Yes	100	100
	No	0	0
		100	100
Current Account	Yes	2	2.0
	No	98	98.0
		100	100.0
Savings Account	Yes	82	82.0
	No	18	18.0
		100	100.0
Loans	Yes	79	79.0
	No	21	21.0
		100	100.0
Fixed Deposit	Yes	67	67.0
	No	33	33.0
		100	100.0
Experience	1-2	5	5.0

	2-4	9	9.0
	4-6	19	19.0
	6-8	17	17.0
	more than 8	50	50.0
		100	100.0
Account in any other Bank	Yes	44	44.0
	No	56	56.0
		100	100.0
Monthly Income	Below 10000	7	7.0
	10000-20000	11	11.0
	20000-30000	29	29.0
	30000-40000	20	20.0
	More than 40000	33	33.0
		100	100.0

As shown by the table V, out of a total of 100 respondents, 100% of the respondents had their accounts in Peoples' bank among them 44% of people have account in other private banks at the same time 56% of people don't have account in private banks. Out of peoples' bank account holders 82% of respondents have saving account, 79% of respondents get loans from people's bank, 67% of respondents have fixed deposits, but only 2% of the respondents have current account. Further, majority of the subjects were male i.e. 55% while only 45% were female. Subjects were also inquired about their qualifications and 9% of them were post graduates, 25% were graduates, 50% of them are A/L qualified, 13% of them are O/L qualified while remaining 03% have qualifications lower than O/L qualification. Moreover most of the respondents were aged between 18 years of age to 38 years i.e. 75%. 83% of respondents have salary range between 20 000 to < 40 000, 5% of respondents had more than 8 years working experience, and 59% of respondents are married.

Table VI: Summary statistics of dependent and independent variables used in this study

Variable	Mean	Standard Deviation
Information Provision	4.1800	.45377
Reliability	4.1075	.45954
Responsiveness	4.0325	.43903
Efficiency	4.0575	.59761
Security and Privacy	3.7975	.61719
Customer Satisfaction	3.6500	.48461

Table II provides the descriptive statistics of the dependent variables i.e. customer satisfaction and independent variable i.e. Information Provision, Reliability, Responsiveness, Efficiency, and Security and Privacy. The mean value of customer satisfaction is 3.65 with standard deviation of .485 indicating that customers are satisfied with their respective financial service providers. The mean value of independent variables i.e. Information Provision, Reliability, Responsiveness, Efficiency, and Security and Privacy is 4.18, 4.11, 4.03, 4.06 and 3.8 respectively which is above average of 3.5. Moreover, standard deviation for these variables is respectively .454, .456, .439, .597 and .617 indicating that respondents have adequate provision of information, online transaction are reliable for the respondents, bank's system provide quick response to customer queries, efficiency of the online banking system also high and security and privacy provided through online banking also high.

Table VII: Correlations

Variables		Information Provision	Reliability	Responsiveness	Efficiency	Security and Privacy
Customer Satisfaction	Pearson Correlation	.551	.497	.597	.436	.590
	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	100	100	100	100	100

Table III provides the correlations of the variables used in this study i.e. Customer satisfaction being the dependent variable whereas information provision, reliability, responsiveness, efficiency, and security and privacy being the independent variables. All variables are significant at 1% level of significance. The correlation coefficient of information provision for customer satisfaction is .551 which is significant thus we accept H1 which states that customer satisfaction has a high positive significant relationship with information provision. For the 2nd independent variable i.e. reliability, the correlation coefficient is .497 which is also significant thus we accept our 2nd hypothesis too i.e. H2 which states that customer satisfaction has a positive moderate significant relationship with reliability.

The correlation coefficient of 3rd independent variable responsiveness for customer satisfaction is .597 which is significant thus we accept H3 which states that customer satisfaction has a high positive significant relationship with responsiveness. For the 4th independent variable i.e. efficiency, the correlation coefficient is .436 which is also significant thus we accept our 4th hypothesis too i.e. H4 which states that customer satisfaction has a positive moderate significant relationship with efficiency. Last but not least, 5th independent variable of the research i.e. security and privacy for customer satisfaction is .590 which is significant thus we accept H5 which states that customer satisfaction has a high positive significant relationship with security and privacy.

On the whole, findings indicate that respondents are highly satisfied with information provision, responsiveness, and security and privacy and moderately satisfied with reliability and efficiency of online banking system in people's bank.

## **CONCLUSION**

The objective of this study was to examine the relationship between customer satisfaction and online banking with respect to online banking dimensions. The research questions were “Does the factor of the information provision that influences Customer satisfaction?”, “Does the factor of the reliability that influence Customer satisfaction?”, “Does the factor of the responsiveness that influences Customer satisfaction?”, “Does the factor of the efficiency that influences Customer satisfaction?”, “Does the factor of the security and privacy that influences Customer

satisfaction?”, “Is there any significant relationship between the information provision, reliability, responsiveness, efficiency, security and privacy and Customer satisfaction?” The unique design of this research gave strange but interesting results because of the grouped and ungrouped presentation of the data. The results appeared to be different in the two ways of analysis. Thus, whether the research questions were answered or the objective was met depend on the outcomes of the study. From the result section; the individual results showed that the research questions were answered by each of the dimension distinctively. With regards to People’s Bank; Information Provision, Responsiveness, and Security and Privacy had significant high level of relationships with customer satisfaction. Reliability and Efficiency had significant moderate level of relationships with customer satisfaction. Peoples Bank in Trincomalee District, Sri Lanka is the fastest growing organization, especially the Banking industry. This development has become a catalyst for the growth of the nation's commercial and industrial sectors. This banking sector contributed much to the nation's economic development. Rapid competition among banks leads to adaptation of technology in banking sector.

In present research based on the previous literature, reliability, efficiency, responsiveness, information provision, and security/privacy as internet banking service quality dimensions were identified and proposed indicators to measure customer satisfaction with service quality customer Surveys confirmed. Therefore be acknowledged that these indicators are presented to evaluate the service quality and customer satisfaction as a result of Internet banking works in Peoples bank, Trincomalee District, Sri Lanka. The results indicate that the responsiveness has the most effective and efficiency has the least effective on customer satisfaction than other indicators. As a proposal for a study of the future, implementation of this model in banks and recognized the results was the investigation system has been designed in this research recommended in other electronic organizations.