

## **FACTORS AFFECTING THE CUSTOMER SATISFACTION OF INTERNET BANKING SERVICE USERS (BASED ON TWO LICENSED COMMERCIAL BANKS OF KALUTHARA DISTRICT, ALUTHGAMA AREA)**

K.C.M Fernando<sup>1</sup>, A.M.I Gunarathna<sup>2\*</sup>

<sup>1,2</sup> *Department of Economics and Statistics, Sabaragamuwa University of Sri Lanka*

### **Abstract**

Internet banking service can be called a major electronic service introduced by the banking sector to facilitate the daily work of customers. Accordingly, the main objective of this study was to study the factors affecting customer satisfaction of internet banking service users. To carry out this study, 267 customers who use the internet banking service of two licensed commercial banks in the Aluthgama area of Kaluthara district were selected as a sample and the sample units were selected using the convenient sampling method. A structured questionnaire was prepared and thereby a quantitative survey was conducted using the primary data obtained from that. To analyze the data SMART PLS and SPSS Software have been used and the PLS-SEM and Linear Multiple Regression Model have been used for regression. The study tested 11 hypotheses and among the service quality factors efficiency, fulfillment, privacy, and responsiveness have a significant impact on customer satisfaction while contact and ease of use did not have a significant effect on the level of customer satisfaction. Among the demographic factors, education level and internet experience have a significant impact on customer satisfaction while age, gender, and marital status did not have a significant effect on the level of customer satisfaction. Accordingly, the study recommended the factors which impact internet banking services and to improve these factors to enhance the service.

**Keywords:** *Customer satisfaction, Demographic Factors, Internet banking Service, Internet banking Service Quality Factors*

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\*Corresponding author: Email: [indika331@yahoo.com](mailto:indika331@yahoo.com); Tel.: +94 (71) 440 0841;

## **Introduction**

In the last few decades, the development of information and communication technology has strongly affected banking customer services in the financial sector. The change in this new technology has affected the banking industry more than the change in any other field (Kirakosyan & Danaiaata, 2014). With the advancement of technology, more people are resorting to doing their daily activities online and the banking sector has also integrated with the internet and enhanced its ability to provide its services in an electronic environment. (Raza, Jawaid, & Hassan, 2015) With the advancement of technology, the Internet banking service can be called a tool for customers who are continuously using the banking service and as a basis to attract new customers (Gkoutzinis, 2009). As compared to traditional banking, Internet banking enables customers to conduct a wide range of electronic transactions through the respective banks' websites from anywhere at any time fastly and with low expenses (krauter & Faullant, 2008). Internet banking provides flexible, convenient, and low-cost integrated services for customers including online checking and savings accounts, money market accounts, certificates of deposit, home equity loans, and a host of other financial services (Bhattacharjee, 2001). However, compared to the increasing number of people using the Internet, the use of Internet banking in Sri Lanka is still at a low level. Although internet banking in Sri Lanka started several years ago, there is a lack of use of internet banking services in Sri Lanka when compared with other countries (Weerasekara & Abeygunawardhana, 2011).

We will be able to see the importance of that service well with the spread of the Corona pandemic that occurred in the last period and with man's busy work life. With the corona pandemic, internet banking service plays a unique role in reducing the crowding of people in banking institutions. With the corona epidemic, a certain group of customers was seen turning to internet banking services. Customer satisfaction is an integral part of maintaining the customer base. When banking institutions that provide internet banking services fail to meet customer expectations, customers tend to leave them. Therefore, it is crucial that the banking institutions that provide internet banking services should perform the relevant service to satisfy their customers.

Accordingly, customer satisfaction in internet banking is extremely important to attract more customers as well as to maintain existing customers. Sri Lanka is a developing country. As a developing country, the development of the banking sector is very important. And policymakers have paid very little attention to internet banking. It is very important to study what factors affect customer satisfaction with internet banking to expand banking activities and facilities.

Through this study, three specific objectives will be achieved. Firstly, the researcher aims to identify how each of the service quality factors of the internet banking service affect customer satisfaction, secondly, the researcher will determine the effect of each demographic factor of the users of the internet banking service on customer satisfaction, and thirdly, the researcher will identify the strengths, weaknesses, opportunities, and threats of the people using the internet banking service.

## Material and Methods

### *Sampling process and data collection*

This study was mainly conducted in association with established licensed commercial banks in the Aluthgama area of the Kalutara district in the western province. The total number of people using internet banking services of licensed commercial banks in the Aluthgama area was considered as the survey population. As shown in the Central Bank report (2020), there are 12 licensed commercial banks in the Kalutara district, out of which there are only 11 licensed commercial banks in Aluthgama. Two licensed commercial banks were selected through the lottery system to represent 20% of the existing licensed commercial banks in Aluthgama. The total number of people using the internet banking service of the two licensed commercial banks is 1430 and it was taken as the sample frame and put into the RAOSOFT software, and the sample was selected as 282. This study mainly focuses on the collection of primary data to a sample through a structured questionnaire.

### *Calculation of sample size*

The sample was selected as 282 using the RAOSOFT software based on the survey population. But here only 267 Responses were given.

**Table 1:**

### *Calculation of sample size*

Bank	Total People using internet banking service	The number selected for the sample
Licensed Commercial Bank 01	650	$\frac{282}{1430} \times 650 = 128$
Licensed Commercial Bank 02	780	$\frac{282}{1430} \times 780 = 154$
Total	1430	282

Source: Develop by Researcher, 2022

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**Table 2:**

*Sample profile*

Sample description		Quantity	Percentage
Licensed Bank 01	Commercial	128	45
Licensed Bank 02	Commercial	154	55
Expected sample size		282	100%
Licensed Bank 01	Commercial	123	46
Licensed Bank 02	Commercial	144	54
Number of respondents		267	95%

Source: Develop by Researcher, 2022

*Measured item of variable*

**Table 3:**

*Measured item of variable*

Measured item of variable
Dependent Variable- Customer Satisfaction
Customer Satisfaction
My expectations before the use of Internet banking have been met with this current experience
I find the internet banking application quite pleasant
I am completely satisfied with the internet banking application
Independent Variable – Service Quality Factors
2. Contact
The bank’s website provides a telephone number to reach branches
The bank’s website has customer service representatives available online as a helpdesk
The bank’s website facilitates speaking and clarifying problems with an official
Ease of Use
1. Internet banking is complicated to use

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2. The wording of Internet banking is unclear  
 3. Internet banking does not demand a lot of effort
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Efficiency

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The bank's website makes it easy to find what the user needs  
 The bank's website makes it easy to get anywhere  
 The bank's website enables one to complete a transaction quickly  
 Information on the bank's website is well organized  
 The bank's website loads its page fast  
 The bank's website is simple to use  
 The bank's website enables the user to get on to it quickly  
 The bank's website is well organized

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Fulfillment

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The bank's website delivers services when promised  
 Records on the bank's website are always accurate  
 Bank's website makes accurate promises about the delivery of service  
 Bank's website promptly informs about important situations (Payment, balance, etc.)

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Privacy

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The bank protects information about the web shopping behaviour  
 The bank does not share personal information with other sites  
 4. The bank's website protects information about the credit card

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Responsiveness

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The bank's website promptly responds to the request and questions made by emails or other channels  
 The banks website tells what to do if the transaction is not processed  
 Web site takes care of customer's problems promptly

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Source: Survey data, 2022

***Data analysis methods and Models of specific objectives***

**Table 4:**

*Data analysis methods and Models of specific objectives*

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Objective	Data analysis Methodology	Model
Specific Objective 01	Partial Least Square (PLS-SEM)	$\hat{Y}_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon_i$

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Specific Objective 02	Linear Multiple Regression model	$\hat{Y}_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \epsilon_i$
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Source: Develop by Researcher, 2022

## Results and Discussion

### *Data analysis Related to Specific objective 01*

The outer model is the part of the model that describes the relationship among variables and their indicators. First, the outer model was tested for the construct reliability and validity of the measurement model.

**Table 5:**

*Analyze the Reliability and validity of independent Variable*

Construct	Indicator Reliability		Internal Reliability	Consistency	Convergent Validity
	Loading	t-statistics	Composite Reliability	Cronbach's $\alpha$	AVE
Dependent variable					
1 Contact					
CONT1	0.820	23.572	0.876	0.790	0.703
CONT2	0.839	28.416			
CONT3	0.856	31.121			
2 Ease of Use					
EASE1	0.903	58.095	0.917	0.866	0.787
EASE2	0.853	32.422			
EASE3	0.905	58.08			
3 Efficiency					
EFI1	0.777	25.001	0.869	0.802	0.625
EFI5	0.810	24.657			
EFI6	0.792	22.098			
EFI7	0.782	24.922			
4 Fulfillment					

FUL1	0.707	13.76	0.863	0.789	0.613
FUL2	0.778	23.5			
FUL3	0.810	30.63			
FUL4	0.830	39.957			
5 Privacy					
PRI1	0.785	21.256	0.864	0.763	0.679
PRI2	0.838	39.693			
PRI3	0.847	36.703			
6 Responsiveness					
RES1	0.854	43.302	0.895	0.825	0.740
RES2	0.865	38.686			
RES3	0.862	46.811			
Dependent variable					
7 Customer Satisfaction					
SATI1	0.878	59.525	0.877	0.789	0.704
SATI2	0.811	34.42			
SATI3	0.826	39.795			

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Source: Survey data, 2022

The study omitted some questions which were in less than 0.7 Values considering outer loading values, because those questions were not reliable under survey data.

*Path coefficient and significance among constructs*

**Table 6:**

*Path coefficient and significance among constructs*

Variable	T-statistics	Coefficient	Result
Contact	1.241	0.037	Not Supported
Ease of Use	1.326	0.047	Not Supported

Efficiency	5.767	0.221	Supported
Fulfillment	6.699	0.321	Supported
Privacy	6.422	0.307	Supported
Responsiveness	6.445	0.225	Supported

Source: Survey data, 2022

The study found that Efficiency, Fulfillment, Privacy, and Responsiveness have a significant positive impact on customer satisfaction. Moreover, according to the result of the study Contact, Ease of Use does not affect customer satisfaction because the t-value is not statistically significant.

### ***Coefficient of Determination***

Table 7 shows the R-square and adjusted R- square of the model. According to that, the R-square value is 0.813 and it has a high effect. If further explained, it reflects that selected independent variables in the model explain 81.30% of the variation in the dependent variable of this study. Also, the adjusted R-square of the model shows 0.808, which means 80.8%.

**Table 7:**

### ***Coefficient of Determination***

Variable	R Square	R Square Adjusted
Customer Satisfaction	0.813	0.808

Source: Survey data, 2022

### ***Data analysis Related to Specific objective 02***

#### ***Examination of Coefficient***

The study found that Education level and Internet experience have a positive impact on customer satisfaction. Moreover, according to the result of the study age, gender, and status does not affect customer satisfaction because the t-value is not statistically significant.

**Table 8:**

### ***Regression result***

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
			Beta		

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(Constant)	1.537	0.138		11.172	0.000
Age	0.016	0.026	0.024	0.623	0.534
Edu	0.470	0.034	0.569	13.911	0.000
Gender	-0.087	0.053	-0.074	-1.651	0.100
Int	0.526	0.062	0.379	8.537	0.000
Status	0.054	0.057	0.044	0.938	0.349

Source: Survey data, 2022

### ***Coefficient of Determination***

Table 9 shows the R-square and adjusted R- square of the model. According to that, the R-square value is 0.622 and it has a moderate effect. If further explained, it reflects that selected independent variables in the model explain 62.20% of the variation in the dependent variable of this study. Also, the adjusted R- square of the model shows 0.615, which means 61.5%.

### **Table 9:**

#### *Coefficient of Determination*

R	R <sup>2</sup>	Adjusted R <sup>2</sup>
0.789	0.622	0.615

Source: Survey data, 2022

### ***Data analysis Related to Specific objective 03***

Among the users of internet banking service, most of the selected respondent indicated the convenience of internet banking service as the strength of using internet banking service, Access is indicated as the weakness, profitability is indicated as the opportunity and technical problem of internet banking service is mentioned as the threat.

### **Conclusion and Recommendations**

The main aim of this study was to investigate the factors influencing customer satisfaction of internet banking service users. The study tested 11 hypotheses and the result revealed that among the service quality factors efficiency, fulfillment, privacy, and responsiveness have a significant impact on customer satisfaction while contact and ease of use did not have a significant effect on the level of customer satisfaction. Among the demographic factors, education level and internet experience have a significant impact on customer satisfaction while age, gender, and marital status did not have a significant effect on the level of customer satisfaction. Among the users of internet banking service, most of the selected respondents indicated the convenience of internet banking service as the strength of using internet banking service.

Access is indicated as a weakness. Also, the opportunity to use the internet banking service is the profitability of the internet banking service. The technical problem of internet banking service is mentioned as a threat.

Even in developing countries like Sri Lanka, there is very little research done on the factors influencing the customer satisfaction of internet banking service users. This has been identified as a gap in the world of research and this research will help to fill that gap a little. Also, there is no single theory that can explain the factors influencing customer satisfaction of internet banking service users and this research helps to fill this gap. In addition, this research will enable to find out how internet banking in the field of information technology affects customer satisfaction in the field of economics. In studying the factors that affect the customer satisfaction of internet banking service users, in this research, both the variables of the quality of the internet banking service and the demographic factors are studied to determine the effect on customer satisfaction. The research was done using both of those variables in the world. Even though there is a lack of research in this area of study, this research is more useful to fill that knowledge gap.

The following measures can be taken to further enhance customer satisfaction regarding internet banking services.

To further develop efficiency, discuss with internet service providers and arrange to provide those facilities to areas with low signal facilities promptly. Further, taking the step to install the best user-friendly interface to attract many customers.

The bank may appoint a separate board of officers to update and correctly maintain the information related to the accounts of the customers who are using the internet banking service facilities under the fulfillment and monitor whether the officers are performing their duties well.

Strong security system should be established to protect privacy by introducing two-step verification and face recognition facility.

Hiring skilled software engineers to restore the website in the event of a crash. Banks should try to encourage fewer literate people to use internet banking services and educate them about this.

Promote step-by-step procedures for the facilities available through internet banking services through visual media and also within the premises of licensed commercial banks.

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