

INFLUENCE OF INTERNET BANKING ON CUSTOMER SATISFACTION IN THE SRI LANKAN CONTEXT

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INTRODUCTION

The Sri Lankan commercial banking industry has undergone major developments and innovations in terms of telecommunications and information technology. These innovations have primarily taken the form of delivery channels providing convenience to banking customers. The concept of customer satisfaction concerning Internet banking has been conceptualized in a variety of ways through previous researchers. However, studies in this area have remained broad and relatively fragmented. Considering this lack, this study has proposed a research framework that integrates both customer satisfaction and service quality literature. Most of the theories applicable to this research can be stated as customer buying behavior and adoption behavior. As Internet technology was introduced a new self-service delivery channel, this research paper aimed to measure the level of satisfaction received and the eventual adoption of this new service delivery channel.

Even though, previous studies have been carried out in relation to e-banking or Internet banking, they have focused mainly on customer loyalty and service quality. However, this research was aimed specifically at investigating the relative importance of factors influencing the adoption of Internet banking among Sri Lankan customers through customer satisfaction.

Internet banking was introduced as a convenient way of fulfilling customer satisfaction through fulfilling customer expectations. According to *Amaratunga & Mukrima* (2006) the values of information technology for the banking sector are paramount when it comes to gaining & sustaining competitive advantage. The convenience received through Internet banking provides the main basis for customer satisfaction and thus, affects the level of customer adoption of Internet banking. (Alawatte, 2005).

According to *Aladwani* (2001) and *Suganthi et al* (2001), customer adoption of Internet banking has not been strong, as most banks have anticipated (as cited in *Rotchanakitumnuai et al*, 2004). Some researchers have shown that most of retail banking customers place Internet banking less important, compared to other technology-based delivery channels, such as ATMs, etc.

The theories put forward by Rogers on adoption or Diffusion of Innovation Model and Parasuraman on Satisfaction and Expectation (SERVQUAL) would be useful in understanding this issue (Meek & Meek, 2001).

Even in the West, as per *Howcroft and Durkin* (2000) noted that technology might not be able to fully substitute for people in bank-customer relationships, technology may be even less of a viable substitute in Asia (as cited in *Rotchanakitumnuai et al*, 2004). *Parasuraman et al* (1985) produced the SERVQUAL model which was designed to measure and manage service quality. This model was another concept introduced by Gronroos to another level (Meek & Meek, 2001). These dimensions and the SERVQUAL instrument have formed the basis for a considerable amount of research and application in the field of service marketing.

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Customer loyalty and customer satisfaction have been linked together in many research studies and it would be less meaningful if this research did not discuss their relationship. Customer satisfaction has been identified as a major determinant of customer loyalty and profitability, as stated by Heskett et al (1994), Silvertro and Cross (2000) Zeithmal and Bitner (2000) (as cited in Goonetilleke, 2007).

METHODOLOGY

The population for the research selected was the Sri Lankan commercial bank customer base of five selected commercial banks. The sampling frame consisted of customers representing state-owned and private banks; foreign banks were excluded. The sampling base consisted of 40 customers from each bank selected randomly using convenience sampling to build a sample of 200 customers.

The primary data was collected using questionnaires, while secondary data was gathered through company documents, websites, external publishers (Central Bank of Sri Lanka, Institute of Bankers Sri Lanka). Convenience sampling was used to collect the data due to low sampling frame and the population being available. The data was analyzed according to a descriptive statistical method, highlighting the relationships between variables.

The hypothesis to be tested was centered on the assumption that higher level of customer satisfaction would lead to higher amounts of customer adoption on internet .The hypothesis can be stated as “if the relationship between the independent variable shows a positive relationship with the dependent variables, then the independent variables would lead to higher customer satisfaction and thus high levels of adoption.

Customer Satisfaction \longrightarrow Customer Adoption on Internet

RESULTS AND DISCUSSION

Using Covariance and Pearson Product Moment Correlation Coefficient the results of the analysis could be stated as having a strong positive relationship between the variables (independent & dependent) having a strong influence on customer satisfaction and adoption. The results of the study can be summarized accordingly. The implications of the research findings (through analyzing the collected data) shows that the present level of satisfaction among Sri Lankan customers can be considered as having strong relationship with the four main variables (Independent) used in the research, thus showing a strong influence on customer satisfaction of Internet banking usage, which in turn influence adoption of Internet banking. In this also the experiential convenience and technological aspects can be considered as important.

Table: Correlation between Dependent variable & the Independent variables

Independent Variable	Dependent Variable (Personal factors)**	Strength of the relationship
Technological aspects	0.8333	Strong, Positive
Bank staff assistance	0.3807	Medium, Positive
Experiential convenience	0.9074	Strong, Positive
Promotional aspects	0.6615	Strong, Positive

**significance at 0.05 level

RECOMMENDATIONS

In discussing the implications and the importance of the research findings the present level of customer satisfaction among Sri Lankan customers can be taken as having a strong positive relationship with the four main variables. This would also imply that these factors or variables

have a strong bearing on the adoption of Internet banking.

The research was aimed at studying the effect of various elements in both transaction related variables and personal variables on customer satisfaction and thus on the adoption of Internet banking. Through the findings the data suggests that when the level of customer satisfaction changes as well as the level of adoption of services offered through Internet banking.

Therefore, commercial banks should make policies that would increase customer satisfaction through actions such as, increasing bank staff knowledge on Internet banking, developing the web site using SERVQUAL model, increasing web site security, higher management support, increasing promotions.

This study focused on the elements that lead to low levels of adoption, in which majority constituted towards transaction related factors such as Technology, Bank staff , Experiential aspect and Promotional aspect which directly affects customer satisfaction, leads towards a low adoption of Internet banking among the customers. In order to facilitate a wider diffusion of Internet banking among the bank (as well non bank) customers of commercial banks should focus their attention with regard to the following variables.

Customer Variables: According to the SERVQUAL model suggested by Parasuraman, the variable named assurance is linked directly to their concept of satisfaction. This variable served as the dependent variable in the hypotheses. Through the data gathered in relation to variable issues such as compensation provided, security of the transaction and the overall levels of expectation were satisfied or not were measured. Through the analysis of data relating to this variable the relationship with other independent variables were shown to be strong, except to the independent variable number two (bank staff assistance) which showed 0.3807.

Bank Variables: The bank related variables which were the independent variable in the hypotheses were mainly consisted of the four variables in the SERVQUAL model proposed by Parasuraman i.e. technological aspects, Bank Staff Assistance, Experiential Convenience, and Promotions.

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