

Assessing the Internet Banking Services of Selected Banks in the Philippines using E-SERVQUAL Model

Samantha B. Tan

*Master of Business Administration, Centro Escolar University, Makati 1200 Metro Manila, Philippines

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Abstract The Industry 4.0 is apparently increasing exponentially in the field of internet banking, competitive advantage is achieved by highlighting service qualities which are key determinants in achieving customer satisfaction. This study evaluated internet banking e-service qualities of selected banks in the Philippines using E-SERVQUAL model which enables the measurement of customer expectations as to the quality of services of internet banking. The findings indicated that customers were most satisfied with the privacy dimension but they were less satisfied with the system availability dimension of the assessed service qualities. It was determined, nonetheless, that the demographic profile of the selected bank clients do not affect customer's satisfaction. Lastly, it was found out that problems/challenges are normal encounters of the users when using internet banking. It is therefore recommended that banks upgrade their assessment tools in measuring the satisfaction of customers and conduct continuous improvement on their internet banking services to provide a high quality of customer satisfaction.

Index terms- Internet Banking, Service Quality, Customer Satisfaction

I. INTRODUCTION

According to Abrol[1], In this day and age, Internet Banking is an absolute must! Due to the advancement of technology over the years, it is affecting the life of every individual in the present age and internet banking is one of the technologies that are vastly growing in banking practices nowadays.

Internet banking in the Philippines slowly evolved with the initiatives of these two major banks, so that understanding the customers' requirements, recommendations and also meeting their demands and expectations regarding internet banking have become a challenge for these financial institutions. It is a must if banks evaluate customers' requirements on a regular basis in order to identify the factors that encourage the intention of these customers in accepting and fully utilize internet banking services.

Due to the anonymity and secrecy, the two chosen banks were given codes to be used for the study. Bank 1 and Bank 2 were chosen by the researcher as main subjects for the study as

they are considered as the leading universal banks, acquiring majority of the consumer depositors and account holders in the country. Not only that, the researcher herself is a user of internet banking facility of these two major banks. Hence, they possess better understanding, knowledge and experience on what the study is all about.

The E-Service Quality Model

Service quality in the e-banking context is the key determinant in differentiating service offering from the competitors and building competitive advantage and thus, service quality becomes as a crucial issue in e-banking.

Parasuraman et al. [2] developed a model for e-service quality scale introducing dimensions as Efficiency, Fulfillment, System availability, Privacy, Responsiveness, Compensation and contact. E-Service quality has been identified as a critical success factor for these banks to build their competitive advantage and increase their competitiveness.

The study was guided by the E-ServQual which is becoming significant in determining the success or failure of internet banking services provided by banks.

1.1 Objectives

- To determine customer satisfaction on internet banking service quality of the selected banks
- To compare assessment of responses of Bank 1 and Bank 2
- To compare assessment of responses when grouped according to their profile
- To identify problems/challenges encountered by the respondents in internet banking
- To provide recommendations to improve internet banking service quality of selected banks

1.2 Null Hypotheses

- There is no significant difference in the customers' satisfaction between the two banks with respect to the internet banking service quality dimensions
- There is no significant difference in the customers' satisfaction on internet banking service quality between Bank 1 and Bank 2 when they are grouped according to their profile

II. RESEARCH METHODOLOGY

This study used descriptive, purposive and comparative techniques of research to focus on particular characteristics of a population that are of interest, which best enabled the researcher to answer the research questions of the study. In this research study, 200 internet banking users were selected to participate in answering the questionnaires to be given out where they were able to share their assessment and observation regarding the service quality of internet banking of which bank they are connected to whether in Bank 1 or Bank 2.

Survey Questionnaire was validated by three (3) experts from the banking industry for better facilitation of the study. Their correction and suggestions were incorporated in the questionnaire. Moreover, the Cronbach alpha of the questionnaire is 0.816 suggesting that the items have relatively high internal consistency and concluded to be very reliable. The researcher assures that there was no conflict of interest in choosing the subjects and respondents of the study.

III. RESEARCH FINDINGS AND ANALYSIS

3.1 Demographic Characteristics of the Respondents

The profile of the internet banking users were described in terms of selected variables, namely gender, age, length of internet banking experience and occupation.

3.1.1 Gender

Table 1 reveals that women tend to be more utilizing the internet banking services compared to men and they always take into consideration the physical appearance or website design.

Generally, According to Mahmoud [4], women are more attracted to the physical appearance of products and services than men. The looks of the internet banking platform, particularly the color of the website, are more important to women than to men. This is why banks take closer attention into this phenomenon.

Table 1. Respondents' Gender

| | Frequency | Percentage |
|--------|-----------|------------|
| Male | 88 | 44 |
| Female | 112 | 56 |
| Total | 200 | 100 |

3.1.2. Age

Table 2 shows that out of 200 internet banking respondents, ages 25 years old and below represent the largest number comprising of 53.5% or 107 users. The data shows that the mid 20s and below represent the bigger number of internet banking users of the selected banks.

This implies that most of the users are millennials who get to adapt more easily on technological advancements.

According to R. Lake [3], many millennials rely on their internet banking accounts to help manage their personal finances, the challenge is finding the right balance between offering digital banking features and products, while still offering a personalized experience that speaks to what the users need most.

Table 2. Respondents' Age

| | Frequency | Percentage |
|------------------------|-----------|------------|
| 25 years old and below | 107 | 53.5 |
| 26 – 30 | 35 | 17.5 |
| 31 – 35 | 25 | 12.5 |
| 36 – 40 | 14 | 7.0 |
| 41 – 45 | 8 | 4.0 |
| 46 – 50 | 3 | 1.5 |
| 51 years old and above | 8 | 4.0 |
| Total | 200 | 100 |

3.1.3 Length of Internet Banking Experience

Yesildag[5] believes that it is truly important to understand what generation a certain target market belongs to because it depends on the demographic characteristic on what would be the preference of someone, internet banking wise.

According to Yang[6],The rapid development of internet and popularization of mobile phones has stimulated the banking and financial sectors towards encouraging customers to use mobile banking.

It was just in the recent years ago that major internet banking features and facilities were added thus, gained popularization which encouraged more users to utilize the service.

Table 3. Respondents' Length of Internet Banking Experience

| | Frequency | Percentage |
|--------------------|-----------|------------|
| 5 years and below | 143 | 71.5 |
| 6 to 10 years | 34 | 17 |
| More than 10 years | 23 | 11.5 |
| Total | 200 | 100 |

3.1.4 Occupation

Apparently, employed people opt to utilize the features and services offered by internet banking for convenience of not having to visit the branch anymore especially that they spend most of the time in the office.

Table 4. Respondents' Occupation

| | Frequency | Percentage (%) |
|------------------------|------------|----------------|
| Students | 12 | 6.0 |
| Employed/Self-Employed | 171 | 85.5 |
| Unemployed | 17 | 8.5 |
| TOTAL | 200 | 100 |

3.2 Rate of Users on their Satisfaction on Internet Banking Service Quality Dimensions

The respondents were mostly satisfied on the seven internet banking service quality dimensions.

Table 5. Assessment of the Users on their Customer Satisfaction on Internet Banking Service Quality Dimensions

3.3 Comparison of the Customer Satisfaction of Bank 1 and Bank 2

Thus, the findings indicate a “Non-Significant” difference result in six (6) criteria: Efficiency, Fulfillment, Privacy,

| Service Quality Dimensions | X | SD | V.I. |
|----------------------------|------|------|----------------|
| Efficiency | 3.33 | .546 | Strongly Agree |
| Fulfillment | 3.31 | .534 | Strongly Agree |
| Privacy | 3.42 | .591 | Strongly Agree |
| Responsiveness | 3.16 | .633 | Agree |
| Compensation | 2.89 | .776 | Agree |
| Contact | 3.18 | .696 | Agree |
| System Availability | 2.84 | .634 | Agree |

Responsiveness, Compensation and Contact while “Significant” difference for one (1) criterion: System availability.

This implies that both Bank 1 and Bank 2 have the same assessment in terms of customer satisfaction on the internet banking service qualities reviewed above. Nevertheless, both should still consider to improve their service qualities to cater to the rising need and number of the internet banking users.

Table 6. Comparison of the Customer Satisfaction between Bank 1 and Bank 2 Internet Banking Users

| Dimension | Bank | x | s.d | t-value | P-value | Sig |
|---------------------|------|------|-------|---------|------------------|-----|
| Efficiency | 1 | 3.40 | 0.545 | 1.626 | p = 0.105 > 0.05 | NS |
| | 2 | 3.27 | 0.542 | | | |
| Fulfillment | 1 | 3.30 | 0.530 | -.040 | p = 0.968 > 0.05 | NS |
| | 2 | 3.31 | 0.540 | | | |
| Privacy | 1 | 3.41 | 0.686 | -.0275 | p = 0.784 > 0.05 | NS |
| | 2 | 3.43 | 0.479 | | | |
| Responsive ness | 1 | 3.14 | 0.652 | -0.335 | p = 0.738 > 0.05 | NS |
| | 2 | 3.17 | 0.617 | | | |
| Compensation | 1 | 2.79 | 0.814 | -1.788 | p = 0.075 > 0.05 | NS |
| | 2 | 2.99 | 0.726 | | | |
| Contact | 1 | 3.22 | 0.683 | 0.761 | p = 0.448 > 0.05 | NS |
| | 2 | 3.14 | 0.711 | | | |
| System Availability | 1 | 2.75 | 0.651 | -2.022 | p = 0.045 < 0.05 | S |
| | 2 | 2.93 | 0.608 | | | |

3.4 Customer Satisfaction Compared when the Respondents are Grouped According to their Profile

Findings showed the comparison between customer satisfaction and demographic profile in terms of: (a) Gender: Based on the six (6) criteria: Efficiency, Privacy, Responsiveness, Compensation, Contact and System Availability, both genders had the same satisfaction level in internet banking. But in terms of fulfillment, the female users felt more fulfilled. (b) Age: Regardless of their age, all clients were comparable in the assessment of their experience in internet banking based on the seven criteria: Efficiency, Fulfillment, Privacy, Responsiveness, Compensation, Contact and System Availability. (c) Length of Internet Banking Experience: Length of internet banking experience does not affect the clients’ satisfaction level based on the seven (7) criteria: Efficiency, Fulfillment, Privacy, Responsiveness, Compensation, Contact and System Availability. (d) Occupation: Except for Efficiency, Fulfillment and Privacy; occupation of the users does not affect their satisfaction level in all criteria.

Table 7. Summary of Comparison between Customer Satisfaction and Demographic Characteristics of Respondents

| E-SERVQUAL Dimensions | Demographic Profile | | | |
|-----------------------|---------------------|----|-----|----|
| | G | A | LIB | O |
| Efficiency | NS | NS | NS | S |
| Fulfillment | S | NS | NS | S |
| Privacy | NS | NS | NS | S |
| Responsiveness | NS | NS | NS | NS |
| Compensation | NS | NS | NS | NS |
| Contact | NS | NS | NS | NS |
| System Availability | NS | NS | NS | NS |

Legend:

- G – Gender
- A – Age
- LIB – Length of Internet Banking Experience
- O- Occupation

3.5 Problems/Challenges Encountered When Using Internet Banking

Table 8 shows that number 7 “System maintenance” gained the highest mean result of 2.76 with verbal interpretation of sometimes while number 8 “Possibility of making fraud” gained the lowest mean result of 2.28 with verbal interpretation of rarely.

As viewed therein, it is the system maintenance that is tagged as the top challenge/problem encountered by users in internet banking. It is necessary for contingency plans to be consistently formulated by the banks to ensure easy recuperation of the system and the users from the temporary disruption.

Table 8. Problems/Challenges Encountered by Users in Internet Banking

| E-SERVQUAL Dimensions | Problems | x | s.d | v.i |
|-----------------------|-----------------------------------|-------------|--------------|------------------|
| Efficiency | Un-updated information on website | 2.52 | 0.845 | Sometimes |
| System Availability | Connectivity problems | 2.69 | 0.811 | Sometimes |
| Fulfillment | Waiting for long time to finish | 2.48 | 0.868 | Rarely |
| Contact | Poor customer service quality | 2.31 | 0.823 | Rarely |
| Responsiveness | Website of the bank crashes | 2.50 | 0.845 | Sometimes |
| System Availability | System maintenance | 2.76 | 0.830 | Sometimes |
| Privacy | Possibility of making fraud | 2.28 | 0.892 | Rarely |
| | Overall | 2.53 | 0.595 | Sometimes |

| | | |
|---------------------|--------------------------------------------------------------------------|-----|
| Privacy | Improve internet banking security against fraud | 147 |
| Efficiency | Update latest trends and information on website | 88 |
| System Availability | Conduct system maintenance at low peak hours | 116 |
| Efficiency | Simpler interface design | 64 |
| Responsiveness | Display on website tips on how to improve Internet speed | 61 |
| System Availability | Conduct regular system update | 75 |
| Responsiveness | Website's fast response on problems when doing online transaction | 106 |
| Contact | Facilitate customer support feedback | 101 |
| | Others: Constantly follow bank regulation on IT governance | 1 |
| | Others: Email user about important updates on internet banking facility. | 1 |

3.6 Recommendations of Users for Internet Banking Service Quality Improvement

Table 9 revealed that the top recommendation by the users was to improve the internet banking security against fraud which garnered 147 responses followed by having the system maintenance be conducted at low peak hours 116 responses.

According to Brar, Sharma, and Khurmi [7] in this modern world, customers want a threat-free and low risk environment in which they can conduct financial transactions and online services without a worry. Privacy, trustworthiness and secure online transactions together with the availability of online services are the strongest determinants of a customer for selecting a bank.

Security is one of the most significant challenges for banks promoting online banking. It is not surprising that the improvement of internet banking security to fraud is the top recommendation the users have provided.

Table 9. Recommendations to Improve Internet Banking Service Quality

| E-SERVQUAL Dimensions | Recommendations | Frequency |
|-----------------------|-----------------|-----------|
|-----------------------|-----------------|-----------|

IV. RESEARCH CONCLUSION

Based on the findings, the seven (7) criteria which are namely; Efficiency, Fulfillment, Privacy, Responsiveness, Compensation, Contact and System Availability are contributing factors in the assessment of clients' level of satisfaction in internet banking and that these dimensions can determine the success or failure of internet banking services provided. The finding of the study also indicates that, customers were most satisfied with the privacy dimension of service quality. However, customers were less satisfied with system availability dimension of service quality. Nonetheless, it was determined that the demographic profile of bank clients do not affect the customer's satisfaction based on the internet banking service quality dimensions. There is also no significant difference between the customer satisfaction of Bank 1 and Bank 2 mainly because these two banks perform not much of a distinction and offer almost the same internet banking service quality to its users thus how the users assess the banks' performance do not differ significantly. As per the problems and challenges encountered, un-updated website information, connectivity problems, system maintenance and website glitches/ crashes are what the findings said to be the most common issues of internet banking users run into. These are inevitable, however, as no system is perfectly designed as of yet. There would be glitches and mandatory scheduled system maintenance to ensure security requirements are being met and to give time for necessary technical refurbishments.

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AUTHOR

Author: Samantha Tan, Centro Escolar University