

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

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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. To achieve the objectives of the study, data were collected through questionnaire from a sample of 200 selected internet banking customers and followed a quantitative approach. 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. Regulatory bodies should implement extensive guidelines concerning the enhancements and importance of the internet banking service qualities to the BSP supervised institutions since they are also deemed as vital to gaining customer satisfaction in a digitized world.*

Keywords – *Customer Satisfaction, Internet Banking, Service Quality*

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. Customers are the focus of competition among banks so these financial institutions have to create powerful strategies for excellence in the internet banking services and overcome competitors in the same sector. 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.

This study will provide the opportunity to identify how customers' assess internet banking service quality in the country through rating their satisfaction level on the provided service quality dimensions. This would supply improvement to internet banking practices which will boost customer's confidence in the capacity of their financial institution to meet their needs with a high level of secrecy wherein customer satisfaction and loyalty are possible to achieve if studied properly. 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. Publico [2] found out that According to a recent PayPal survey, 25% of Filipino consumers are already using internet banking methods in their everyday transactions.

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. [3] 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.

OBJECTIVES OF THE STUDY

The general objectives of the study are to assess the internet banking services of selected banks in the Philippines Using E-SERVQUAL Model. The specific objectives of the study are 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.

MATERIALS AND METHODS

This study used descriptive, purposive, and comparative techniques of research to focus on characteristics of a population that are of interest, which best enabled the researcher to answer the research questions of the study. The variable in this research are internet banking users of the selected banks. The research study only used the quantitative method.

The active internet banking users of two selected banks were chosen by the researcher as the respondents of the study. National Capital Region (NCR) was the chosen location because apparently, to broaden the scope of prospective respondents and for convenience on easier data gathering.

In this 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. The 200 questionnaires was divided into two in which half were given to Bank 1 internet banking users and the other half to Bank 2 internet banking users to obtain fair comparative assessment.

The following criteria were considered in selecting respondents in the study: (1) Participants should be existing internet banking users of either of the two selected banks. (2) Participants should be existing clients of the bank for months to more than a year. (3) Participants should have an existing savings, current or credit card account with Bank 1 or Bank 2.

The study used questionnaire as research instrument to help obtain descriptive information. It was the main tool of the research and was used to answer the problems in the study. The questionnaire was composed of three parts.

The first part of the questionnaire consisted of the profile of the respondents specifically the gender, age, length of internet banking experience and occupation.

The second part of the questionnaire was comprised of the assessment of the respondents on their customer satisfaction on the different internet banking service quality dimensions such as efficiency, fulfillment, privacy, responsiveness, compensation, contact, and system availability using the E-SERVQUAL Model (4, meaning Strongly Agree; 1, Strongly Disagree).

The last part included the problems or challenges they face that hinder efficiency when performing internet banking services. It would also give them the chance to provide recommendations.

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.

RESULTS AND DISCUSSION

Table 1.
Respondents' Gender

	Frequency	Percentage
Male	88	44
Female	112	56
Total	200	100

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 colour of the website, are more important to women than to men. This is why banks take closer attention into this phenomenon.

Table 2.
Respondents' Age

	Frequency	%
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

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 Lake [5], 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 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

Yesildag [6] 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 [7], 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 4.
Respondents' Occupation

	Frequency	Percentage
Students	12	6.0
Employed/Self-Employed	171	85.5
Unemployed	17	8.5
Total	200	100

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

Service Quality Dimensions	X	SD	V.I.
Efficiency	3.33	.546	Strongly Agree
Fulfilment	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

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

The overall mean result of the assessment of the user on the customers' satisfaction in terms of efficiency obtained 3.33 with verbal interpretation of "Strongly Agree". Result shows that the bank's website simplifies performing a transaction with ease and convenience. While in terms of fulfillment, it obtained 3.31 mean with verbal interpretation of "Strongly Agree". Result shows that the internet banking website gets to provide its users the accurate records whenever, wherever.

Moreover, the overall mean result of the assessment of the users on the customer satisfaction in terms of privacy was 3.42 with verbal interpretation of "Strongly Agree". The study reveals that users are always after the data privacy and security of doing online transactions. It is indeed important for banks to always provide robust security mechanisms for customers conducting transactions via electronic means. While in terms of Responsiveness, it garnered a mean of 3.16; Compensation got an overall mean of 2.89; Contact garnered 3.18 mean and lastly, System Availability which obtained 2.84 overall mean. These last four dimensions have a verbal interpretation of "Agree".

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	Not Significant
	2	3.27	0.542			
Fulfillment	1	3.30	0.530	-.040	p = 0.968 > 0.05	Not Significant
	2	3.31	0.540			
Privacy	1	3.41	0.686	-.0275	p = 0.784 > 0.05	Not Significant
	2	3.43	0.479			
Responsiveness	1	3.14	0.652	-0.335	p = 0.738 > 0.05	Not Significant
	2	3.17	0.617			
Compensation	1	2.79	0.814	-1.788	p = 0.075 > 0.05	Not Significant
	2	2.99	0.726			
Contact	1	3.22	0.683	0.761	p = 0.448 > 0.05	Not Significant
	2	3.14	0.711			
System Availability	1	2.75	0.651	-2.022	p = 0.045 < 0.05	Significant
	2	2.93	0.608			

Thus, the findings indicate a “non-Significant” difference result in six criteria: Efficiency, Fulfillment, Privacy, Responsiveness, Compensation and Contact while “Significant” difference for one 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 improving their service qualities to cater to the rising need and number of the internet banking users.

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

E-SERVQUAL Dimensions	Demographic Profile			
	Gender	Age	Length of Internet Banking Experience	Occupation
Efficiency	Not Significant	Not Significant	Not Significant	Significant*
Fulfillment	Significant*	Not Significant	Not Significant	Significant*
Privacy	Not Significant	Not Significant	Not Significant	Significant*
Responsiveness	Not Significant	Not Significant	Not Significant	Not Significant
Compensation	Not Significant	Not Significant	Not Significant	Not Significant
Contact	Not Significant	Not Significant	Not Significant	Not Significant
System Availability	Not Significant	Not Significant	Not Significant	Not Significant

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.

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	SD	VI
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

Recommendations of Users for Internet Banking Service Quality Improvement

Table 9.

Recommendations to Improve Internet Banking ServQual

E-SERVQUAL Dimensions	Recommendations	f
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

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, et al., [8], 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.

CONCLUSION AND RECOMMENDATION

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.

Based on the findings of the study and conclusions drawn for the findings, recommendations are hereby given: (1) The banks should make use of instruments like E-SERVQUAL assessment tool which will enable the measurement of customer satisfaction since interest in e-services is growing year by year, it means expectations of the customers will also be growing. This could also be the basis of the banks for developing an effective strategy on internet banking. (2) The banks should include an E-SERVQUAL Survey icon on the user interface of the internet banking website. This would enable bank managers and decision makers to pay more attention to the identified dimensions while devising the strategies and will enable to provide high service quality to their customers. (3) Regulatory bodies should also consider enhancing the cyber law in the country to protect internet banking users. (4) Other demographic profiles of the clients can be used as variables in correlating the online banking customer satisfaction. (5) The banks should conduct continuous improvement on its internet banking services and quality, lower risk and enhance security of operations to provide a high level of customer satisfaction. (6) For future researchers can conduct a similar and related research on Customer Satisfaction on a wider and broader scale to identify new strategies and improvement in delivering exceptional customer service.

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