

# EXPECTATIONS OF IT SAVVY BANKING CUSTOMERS

L. Vivekanandan

(08/9082)



Department of Computer Science & Engineering

University of Moratuwa

Sri Lanka

December 2010

# EXPECTATIONS OF IT SAVVY BANKING CUSTOMERS

L. Vivekanandan

(08/9082)



University of Moratuwa, Sri Lanka.  
Electronic Theses & Dissertations  
[www.lib.mrt.ac.lk](http://www.lib.mrt.ac.lk)

Thesis submitted in partial fulfillment of the requirements for the degree of Master of  
Business Administration in Information Technology

Department of Computer Science & Engineering

University of Moratuwa Sri Lanka

December 2010

## DECLARATION

I declare that this is my own work and this thesis/dissertation does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any University or other institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

.....  
L. Vivekanandan

.....  
Date



University of Moratuwa, Sri Lanka.  
Electronic Theses & Dissertations  
[www.lib.mrt.ac.lk](http://www.lib.mrt.ac.lk)

I have supervised and accepted this thesis/dissertation for the award of the degree.

.....  
Dr. Sanath Jayasena (Supervisor)

.....  
Date

(Research Supervisor)

## **COPYRIGHT STATEMENT**

I hereby grant the University of Moratuwa the right to archive and to make available my thesis or dissertation in whole or part in the University Libraries in all forms of media, subject to the provisions of the current copyright act of Sri Lanka. I retain all proprietary rights, such as patent rights. I also retain the right to use in future works (such as articles or books) all or part of this thesis or dissertation.

.....



University of Moratuwa, Sri Lanka.  
Electronic Theses & Dissertations  
[www.lib.mrt.ac.lk](http://www.lib.mrt.ac.lk)

## ABSTRACT

The banking industry across the globe has witnessed a revolution in the last decade in its efforts to meet the ever growing customer demands. The advancement of technology has encouraged many sectors to move across markets to position themselves as Multinationals and the Sri Lankan banking sector is no different. Due to ever growing demands of the customers and the continuous analysis of customer demands in order to anticipate future needs, segmentation of markets to exploit niches have driven the banks to rely heavily on technology thereby crowding the markets with many products and services.

Sri Lankan banks are continuing to introduce innovative electronic banking solutions; however, the question is, how much of these electronic banking solutions are actually used by the customer. It is commonly argued that these electronic banking services are ideally suitable to be marketed among professionals who have access to internet and mostly based in the Colombo district. This study was conducted on banking customers living and working in Colombo district and has access to internet in order to study whether the key expectation of the retail banking customer is “electronic-based, convenient banking solution”. A survey was conducted and results obtained from 404 banking customers were analysed to understand the expectations of customers.

Results of the survey reveal that the top most expectations of customers are accurate and secure services. The ATM is ranked as the third most important factor and usage is 80%. Therefore, the research concludes that the professionals who have access to internet and mostly based in the Colombo district expect the bank to provide a high level of service more than the electronic-based solutions itself.

**Keywords:** Electronic Banking, Retail Banking Customer, Banking Habits

## ACKNOWLEDGEMENTS

Completing my research was one of the most significant academic challenges I have ever faced. Without the patience, support and unstinted guidance of the many individuals, this research would not have been successfully completed.

First and foremost, I would like to extend my sincere gratitude to Dr. Sanath Jayasena for his keen supervision, valuable advice and guidance given to me from the initial stages of the project. His experience, guidance and commitment to the highest standards inspired and motivated me throughout. His superior guidance exceptionally inspired and enriched my growth academically.

Next, I would like to thank Mrs. Vishaka Nanayakkara, head of the department, Department of Computer Science and Engineering, University of Moratuwa, for providing continuous support and advice to carry out the research successfully.

I further extend my deepest gratitude to all academic and non-academic staff of Department of Computer Science & Engineering and library staff of University of Moratuwa for their support in numerous ways.



University of Moratuwa, Sri Lanka  
Electronic Theses & Dissertations  
[www.lib.mrt.ac.lk](http://www.lib.mrt.ac.lk)

I also like to thank all the research respondents who despite their work commitments contributed towards the research study.

Lastly I would like to thank my husband Ahilan, my mother Nandini and my children Nishka and Nitika bearing with me when I was not able to spend time with them. They understood the situation and encouraged me to finish the work. Without their help and support this endeavour would have been impossible.

# TABLE OF CONTENTS

|   |     |
|---|-----|
| DECLARATION.....                            | i   |
| COPYRIGHT STATEMENT.....                    | ii  |
| ABSTRACT .....                              | iii |
| ACKNOWLEDGMENTS.....                        | iv  |
| LIST OF TABLES .....                        | ix  |
| LIST OF FIGURES.....                        | x   |
| LIST OF ABBREVIATIONS .....                 | xi  |
| 1. INTRODUCTION.....                        | 1   |
| 1.1 Chapter Overview.....                   | 1   |
| 1.2 Background.....                         | 1   |
| 1.3 Research Question.....                  | 2   |
| 1.4 Research Objectives .....               | 3   |
| 1.5 Previous Work .....                     | 3   |
| 1.6 Importance/ Benefits of the Study ..... | 3   |
| 1.7 Research Design .....                   | 4   |
| 1.8 Nature and Form of Results.....         | 4   |
| 1.9 Chapter Organisation.....               | 4   |
| 2. LITERATURE REVIEW.....                   | 6   |
| 2.1 Introduction .....                      | 6   |

|       |   |    |
|-------|---|----|
| 2.2   | Evolution of Technology in Retail Banking.....                | 6  |
| 2.3   | Expectations of Retail Banking Customers .....                | 10 |
| 2.4   | Detail Study on Expectations of Retail Banking Customer ..... | 21 |
| 2.4.1 | Convenience of Service (Delivery Channel).....                | 21 |
| 2.4.2 | Electronic Services .....                                     | 24 |
| 2.4.3 | Financial Benefits.....                                       | 26 |
| 2.4.4 | Service Quality .....   | 28 |
| 2.4.5 | Bank Staff.....   | 31 |
| 2.4.6 | Bank’s Reputation .....                                       | 33 |
| 2.5   | Summary.....  | 35 |
| 3.    | CONCEPTUALISATION AND HYPOTHESES .....                        | 36 |
| 3.1   | Introduction .....  | 36 |
| 3.2   | Research Question.....  | 36 |
| 3.3   | Conceptualisation.....  | 36 |
| 3.3.1 | Dependent Variable.....                                       | 37 |
| 3.3.2 | Independent Variable .....                                    | 37 |
| 3.4   | Conceptual Model for Investigation.....                       | 38 |
| 3.5   | Hypotheses .....  | 39 |
| 3.6   | Operationalization .....                                      | 40 |
| 3.7   | Summary.....  | 41 |
| 4.    | METHODOLOGY AND DATA EVALUATION.....                          | 42 |
| 4.1   | Introduction .....  | 42 |
| 4.2   | Overview of Methodology .....                                 | 42 |





|       |  |    |
|-------|--|----|
| 4.3   | Sample Size, Selection Procedure and Data Collection ..... | 43 |
| 4.4   | Finalization of the Questionnaire .....                    | 46 |
| 5.    | PRESENTATION OF DATA AND ANALYSIS .....                    | 48 |
| 5.1   | Introduction .....   | 48 |
| 5.1.1 | Data Presentation.....                                     | 48 |
| 5.1.2 | Personal Profile of the Respondent .....                   | 48 |
| 5.1.4 | Banking Habits.....  | 50 |
| 5.2   | Expectations of Retail Banking Customers .....             | 53 |
| 5.2.1 | Electronic Service .....                                   | 53 |
| 5.2.2 | Convenience of Service.....                                | 55 |
| 5.2.3 | Service Level.....   | 56 |
| 5.2.4 | Financial Benefits.....                                    | 58 |
| 5.2.5 | Bank Staff.....  | 60 |
| 5.2.6 | Bank's Reputation.....                                     | 61 |
| 5.3   | Correlation Analysis .....                                 | 62 |
| 5.4   | Hypothesis Testing .....                                   | 64 |
| 5.4.1 | Test of Hypothesis 1.....                                  | 64 |
| 5.4.2 | Test of Hypothesis 2.....                                  | 65 |
| 5.4.3 | Test of Hypothesis 3.....                                  | 65 |
| 5.4.4 | Test of Hypothesis 4.....                                  | 66 |
| 5.4.5 | Test of Hypothesis 5.....                                  | 66 |
| 5.4.6 | Test of Hypothesis 6.....                                  | 67 |
| 5.5   | Ranking.....   | 68 |
| 5.5.1 | Comparison Across Gender Distribution .....                | 69 |
| 5.5.2 | Comparison Across Age Distribution .....                   | 69 |
| 5.6   | Summary.....   | 70 |



|       |  |    |
|-------|--|----|
| 6.    | DISCUSSION .....   | 71 |
| 6.1   | Introduction .....   | 71 |
| 6.2   | Discussion on the Expectations of Retail Banking Customers ..... | 71 |
| 6.2.1 | Electronic Services (ES).....                                    | 71 |
| 6.2.2 | Service Level (SL) .....   | 74 |
| 6.2.3 | Convenience of Services .....                                    | 77 |
| 6.2.4 | Financial Benefit .....  | 79 |
| 6.2.5 | Bank Staff.....  | 81 |
| 6.2.6 | Bank Reputation.....   | 82 |
| 6.3   | Proposed Model.....  | 83 |
| 6.4   | Summary.....   | 85 |
| 7.    | CONCLUSION .....   | 86 |
| 7.1   | Chapter Overview.....  | 86 |
| 7.2   | Conclusion.....  | 86 |
| 7.3   | Constraints and Limitations.....                                 | 88 |
| 7.4   | Recommendations .....  | 88 |
|       | REFERENCES.....  | 90 |
|       | Appendix A – QUESTIONNAIRE.....                                  | 96 |



## LIST OF TABLES

|             |  |    |
|-------------|--|----|
| Table 2.3-1 | Prior research on customer expectation from bank                         | 17 |
| Table 2.4-1 | Summary of previous studies on convenience                               | 22 |
| Table 2.4-2 | Summary of previous studies on financial benefits                        | 27 |
| Table 2.4-3 | Cost per transaction   | 28 |
| Table 2.4-4 | Summary of previous studies on service quality                           | 29 |
| Table 2.4-5 | Summary of previous studies on banking staff                             | 32 |
| Table 2.4-6 | Summary of previous studies on reputation                                | 34 |
| Table 3.6-1 | Operationalisation   | 40 |
| Table 4.4-1 | Finalisation of questionnaire  | 46 |
| Table 5.1-1 | Age distribution   | 48 |
| Table 5.1-2 | Distribution of levels of education                                      | 49 |
| Table 5.1-3 | Distribution of levels of employment                                     | 49 |
| Table 5.1-4 | Gender distribution  | 49 |
| Table 5.1-5 | Primary bank   | 50 |
| Table 5.2-1 | Level of importance given to electronic services                         | 53 |
| Table 5.2-2 | Level of importance given to convenience of service                      | 55 |
| Table 5.2-3 | Level of importance given to service level                               | 57 |
| Table 5.2-4 | Level of importance given to financial benefits                          | 59 |
| Table 5.2-5 | Level of importance given to bank staff                                  | 60 |
| Table 5.2-6 | Level of importance given to bank's reputation                           | 61 |
| Table 5.3-1 | Correlation analysis between banking habits and expectations of customer | 62 |
| Table 5.3-2 | Correlation analysis among expectations of customer                      | 63 |
| Table 5.5-1 | Ranking of customer expectation  | 68 |
| Table 5.5-2 | Comparison of expectations of customer of male and female                | 69 |
| Table 5.5-3 | Comparison of customer expectation of different age groups               | 70 |

## LIST OF FIGURES

|   |    |
|---|----|
| Figure 2.2-1 Drivers of Change - a paradigm shift                                       | 7  |
| Figure 3.4-1 Conceptual model   | 38 |
| Figure 5.1-1 Age distribution   | 48 |
| Figure 5.1-2 Gender distribution  | 49 |
| Figure 5.1-3 Levels of employment   | 49 |
| Figure 5.1-4 Levels of education  | 49 |
| Figure 5.1-6 Usage of electronic banking facility                                       | 50 |
| Figure 5.1-5 Primary bank   | 50 |
| Figure 5.1-7 Usage of electronic services   | 51 |
| Figure 5.2-1 Level of importance given to electronic services                           | 54 |
| Figure 5.2-2 Level of importance given to convenience of service                        | 56 |
| Figure 5.2-3 Level of importance given to service level                                 | 58 |
| Figure 5.2-4 Level of importance given to financial benefits                            | 59 |
| Figure 5.2-5 Level of importance given to bank staff                                    | 60 |
| Figure 5.2-6 Level of importance given to bank's reputation                             | 61 |
| Figure 6.2-1 Relationship between electronic services and expectations of customers     | 73 |
| Figure 6.2-2 Relationship between service level and expectations of customers           | 76 |
| Figure 6.2-3 Relationship between convenience of services and expectations of customers | 78 |
| Figure 6.2-4 Relationship between financial benefits and expectations of customers      | 80 |
| Figure 6.2-5 Relationship between Bank staff and expectations of customers              | 82 |
| Figure 6.3-1 The high level design of the proposed model                                | 83 |

## LIST OF ABBREVIATIONS

ATM – Automated Teller Machine

BH – Banking Habit

BR- Bank’s Reputation

BS – Bank Staff

CS – Convenience of Service

ES – Electronic Services

FB – Financial Benefit

SL – Service Level



University of Moratuwa, Sri Lanka.  
Electronic Theses & Dissertations  
[www.lib.mrt.ac.lk](http://www.lib.mrt.ac.lk)