



THESIS

**SERVICE QUALITY MEASUREMENT :
AN EMPIRICAL STUDY OF BANK MANDIRI
PADANG**

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06 152 169

Proposed as a partial requirement to obtain Bachelor Degree

**MANAGEMENT DEPARTMENT
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2011**



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Service Quality Measurement in Internet Banking : An Empirical study of Bank Mandiri Padang

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ABSTRACT

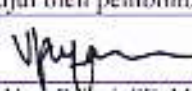
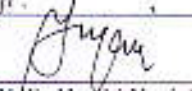
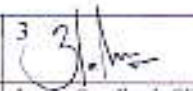
The banking industry is currently driven by technological advancements. Customers use internet banking to monitor their cash flow and account balances, execute electronic fund transfers between accounts, pay bills, and purchase online financial products. Internet banking allows banking from anywhere, anytime and is used for transactions, payments, etc. over the internet through a bank, a credit union or society's secure website. So, basically, in internet banking a client has one-to-one interaction with the bank's website, and in such a situation it is essential on the part of bank to provide high quality services over the internet. Providing internet banking is increasingly becoming a 'need to have' than a 'nice to have' service. The internet banking, thus, now is more of a norm rather than an exception in many developed countries due to the fact that it is the cheapest way of providing banking services.

This research is a quantitative research to get statistical data to show factors affecting internet banking service quality. Data have been processed by using a factor analysis with SPSS 15.0 software tool as previous data processing. Based on the results of factor analysis, the variables are classified into six dimensions : Privacy, Fulfillment, Access, User-friendliness, Reliability and Efficiency.

Key words: *internet banking, E-service quality, customer's perspective*

Skrripsi ini telah dipertahankan di depan sidang pengujian dan dinyatakan lulus pada tanggal 24 Januari 2011.

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CHAPTER I

INTRODUCTION

1.1 Background of the research

In today's world of intense competition, a firm's ability to deliver high quality service those results in satisfied customers is the key to a sustainable competitive advantage (Shemwell et al. 1998). Muffato and Panizzolo (1995) also suggested that customer satisfaction is considered to be one of the most important competitive factors for the future, and will be the best indicator of a firm's profit ability. They further suggest that customer satisfaction will drive firms to improve their reputation and image, to reduce customer turnover, and to increase attention to customer needs. Such actions will help firms create barriers to switching, and improve business relationships with their customers.

Parasuraman et al. (1985) suggested that services differ from goods in terms of how they are produced, consumed, and evaluated. They further viewed that services are intangible since their performances and experiences rather than objects that can be precisely manufactured. Services are heterogeneous, that is, their performance often varies from producer to producer, customer to customer, and day to day. More importantly, production and consumption of services are inseparable. Unlike goods that can be engineered at a manufacturing plant and delivered intact to the customer, quality in services often occurs during service delivery, which is the interaction between a customer and a service provider. Given the differences between services and goods as previously mentioned, quality of service is more difficult for customers to evaluate than quality of goods. Customers evaluate service quality not only on the outcome of the service but also

on the process of service delivery, and from how well a service provider actually performs, given their expectations of service performance.

Banks are one of the most important financial institutions in all countries. Bank managers in order to increase the profitability of their organization, have focused on productivity so, today they act as bureaucratic service organizations. Some principles of these organizations aren't compatible with human inner. On the other hand, the basic differentiator in today's market is service quality. In general, service quality promotes customer satisfaction and stimulates intention to return.

The banking industry is currently driven by technological advancements. Customers use internet banking to monitor their cash flow and account balances, execute electronic fund transfers between accounts, pay bills, and purchase online financial products. Internet banking allows banking from anywhere, anytime and is used for transactions, payments, etc. over the internet through a bank, a credit union or society's secure website. So, basically, in internet banking a client has one-to-one interaction with the bank's website, and in such a situation it is essential on the part of bank to provide high quality services over the internet. So, in contrast to traditional banking, internet banking involves non-human interactions between customers and online bank information system. Customer satisfaction, customer retention and new customer acquisition are the key factors in internet banking system. This becomes more important since the acquisition costs in online banking exceed that of traditional offline business by 20%-40% (Reibstein, 2002). Providing internet banking is increasingly becoming a 'need to have' than a 'nice to have' service. The internet banking, thus, now is more of a

CHAPTER VI

CONCLUSION AND LIMITATION

This chapter provides conclusions drawn from findings and discussion presented in the previous chapter, followed by assessment of the potential limitations present in this study and possible future directions for the research

6.1 Conclusion of the research

This research is a quantitative research to get statistical data to show factors affecting internet banking service quality, by using factor analysis. It has been conducted on customer of Bank Mandiri in Padang.

The data used are primary data. Primary data is gathered by questionnaires distribution to customer of Bank Mandiri in Padang. Data have been processed by using a factor analysis with SPSS 15.0 software tool as previous data processing, classical assumption test has been performed in order to ascertain that data are normally distributed.

Based on the results of factor analysis, the variables are classified into six dimensions :

1. First factor consists of the bank provides financial security and confidentiality, you can rely on the personal information remaining the register, you can rely on bank for not misusing information, and the bank's site is secured for your credit card information. Then this factor can be named **Privacy**.

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