Impact of Self Service Technology Quality on Customer Loyalty: The case of Commercial Banking Sector in Sri Lanka

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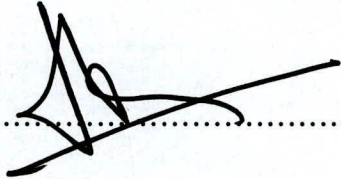
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A thesis submitted to the University of Sri Jayewardenepura in partial fulfillment of the requirements for the degree of Master of Science in Management (Management Information Systems) on 2013.03.06

DECLERATION

The work described in this thesis was carried out by me under the supervision of Dr. K.M.S.D Kulathunga and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma.

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CERTIFICATION

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.

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ABSTRACT

Application of banking Self Service Technology is growing rapidly in Sri Lanka banking environment too. It provides an opportunity for banks to provide customer service without using the employees. Self service banking activities can be seen in terms of ATM, SMS banking, Internet banking, Automated Telephone banking facilities etc. Given this context this study designed to assess the impact of banking self service technology quality on customer satisfaction and loyalty in Sri Lanka. Researcher formulated conceptual model to test this situation by identifying quality dimensions by applying Principle Component Analysis; namely security, efficiency, ease of use, reliability and convenience. Dependent variables were selected as customer satisfaction and loyalty. Top six banks namely Bank of Ceylon, Peoples Bank, Sampath Bank, Commercial Bank, Syelan Bank and Hatton National Bank selected for this study.

Identified dimensions regressed with applying step wise regression to measure the impact of banking self service technology quality on customer satisfaction and loyalty. Simple regression applied to find out the effect of satisfaction on customer loyalty.

Results revealed that Self Service Technology quality has an impact on customer satisfaction and loyalty. Moreover results indicated except the convenience, predictors; security, efficiency, reliability and ease of use have positively impact on customer satisfaction. On the other hand customer loyalty was largely influenced by the predictors of convenience, security and ease of use.

CHAPTER ONE

INTRODUCTION

1.1. Introduction

The purpose of this chapter is to provide a background to the research problem and research objectives. In addition to that methodology adopted by the researcher will be briefly presented in this chapter.

1.2. Study background

The service sector plays a major role in many economies around the world. But until recently Sri Lanka remained mainly as an agricultural nation, where the agricultural sector predominated. Today the industrial sector and the service sector constitute a major portion of Sri Lanka's Gross Domestic Product (GDP). Accordingly in 2010, service sector accounted for 67 % of the Gross Domestic Product and 43.1 percent of employees from total employees in Sri Lanka employed in this sector (Central Bank Report, 2010). The Service sector comprises of sub sectors including banking and financial sector, wholesale and retail sector, transportation and communication, postal services etc.

Accordingly, one of the main sectors which contribute largely to the service sector GDP in Sri Lanka is banking, insurance and real estate field. This is denoted as financial sector in Sri Lanka. Financial system is recognized as the key institutional and functional vehicle for any economy. In the meantime Mishkin (2001) emphasized the demand driven nature of banking and financial services that constitute the important part of the service sector. Within the financial sector, banks play a predominant role in economic development of the country by providing funds to the economy through

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