

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The rapid advancement of information technology has resulted in numerous changes around the world, where information technology has evolved into a critical tool for meeting a variety of human needs. Information and communication technology (ICT) is a tool that can be used to help people in all aspects of their lives. As a result, many people are migrating from traditional life to the digital world, where a plethora of applications are available to assist people in their daily lives (Saintz, 2019).

According to Dwiningrum, (2012), In short, today's technological advancements have been recognized as providing a great deal of convenience and comfort to human life. Today's information world is inextricably linked to technology. As society becomes more reliant on technology, the world of technology expands. Communication that used to take a long time to convey has now become very fast and appears to be without distance thanks to technology (<https://bdkjakarta.kemenag.go.id/>, retrieved in 2023, 30 August). Technological advancements have an impact on all aspects of life, including payment system changes. Money-based payment instruments have begun to give way to non-cash payment instruments (Wulandari, Soseco, & Narmaditya, 2016). The financial and banking industries are undoubtedly affected by technological advancements. Crowdfunding, microfinancing, peer-to-peer lending, market comparison, and

digital payment systems are all examples of fintech (<https://sikapiuangmu.ojk.go.id/>, retrieved in 2023, 30 August).

The foundation of banking services lies in the trust factor among the banks and consumers with an ultimate goal to provide quality services on lesser transaction costs (Shankar and Jebarajakirthy, 2019). Trust and loyalty holds great importance in electronic environments (Chaudhry et al., 2009). In pandemic situation, this importance amplifies dramatically as ICT is aimed toward not only new developments but also customer retention. This became of challenge for the banking industry also, especially in less developed countries, and role of knowledge management in commercial banks increased, which is termed as very important (Khokhar et al., 2017). Similarly quality of services was also termed as important in not only banking but also in other industries.

From year to year the number of mobile banking users is increasing rapidly. Mobile banking is widely used because it offers convenience and flexibility. You can perform various banking transactions only through gadgets without having to go to a bank branch office or to an ATM. Transactions can be made anytime and anywhere (<https://www.dbs.id/digibank/id/id/articles/tak-mau-kena-bobol-ini-tips-agar-mobile-banking-anda-tetap-aman>, retrieved in 2023, August 20)

The bank was previously known as The Development Bank of Singapore Limited, which "DBS" was derived from, before the present abbreviated name was adopted on 21 July 2003 to reflect its role as a global bank. It is one of the

"Big Three" banks in Singapore, along with OCBC Bank and the United Overseas Bank (UOB).



**Figure 1. 1 DBS Bank Logo**  
Source: DBS Bank (2023)

**Table 1. 1 Comparison between Market at Medan**

Bank	Application E-Banking	Ratings	Year of Establishment	Main Product
BNI		4.6	5 July 1946	Bank/Finance
DBS		4.5	21 July 2003	Bank/Finance
BRI		4.5	16 December 1895	Bank/Finance
BCA		4.4	21 February 1957	Bank/Finance
Mandiri		4.0	02 October 1998	Bank/Finance

Sources: Google, 2023

From the table above, market rating is not much different, which is in the range of 4.0-4.6, namely Mandiri Bank with a rating of 4.0, BCA Bank with a rating of 4.4, BRI Bank with a rating of 4.5, DBS Bank with a rating of 4.5 and BNI Bank with a rating of 4.6. Besides, it also can be seen that DBS Bank is the youngest bank compared to other bank.

E-loyalty as the tendency of customers to continue to use online services, frequently visited and also shows a close relationship with the time intervals. In this context, customers with high loyalty will often visit and recommend to others and this leads to a high commitment to repurchase a service or product consistently in the future and prevent customers make negative word of mouth (WOM) and impact on other customers (Anderson & Srinivasan, 2023). One way to build competitive advantage is customer loyalty and is an important topic in studying the markets and stores. E-loyal customer can increase the profitability for store through long-term commitment and can reduce the cost of acquiring new customers (Reichheld et al., 2017). E-loyal customers are not the ones who are looking for the lowest prices, but those who look for prices to be more worthy. They also try to push customers into the store and thus they provide potentially rich resources of benefits. In addition, e-loyal customers purchase more than new customers and they can receive services with lower operating costs.

Being in competition with many other banks that are trying to compete in the banking market in Indonesia where they are trying to increase the number of customers, it is important for DBS Bank can increase customer loyalty. According to Yu (2017), customer loyalty. it is in the interest of the customer to continue to

re-subscribe and become loyal to the company based on the experience provided by the company. customer loyalty is very important to note because the intention of the transaction is again used by the company to create a marketing strategy that will be run. Customer loyalty has a strategic role in encouraging companies to have a thriving and advanced business). If the buyer has a pleasant experience, then customer loyalty to return will appear.

**Table 1. 2 Number of Active DBS E-banking users**

Year	Number of Active Users
2020	>200.000
2021	600.000 - 700.000
2022	>800.000

Sources: <https://databoks.katadata.co.id/datapublish/2022/01/18/jumlah-pengguna-aktif-bulanan-bank-digital-jenius-tertinggi-di-indonesia> retrieved in 2023, October 29)

Table 1.2 the above data shows that the level of active e-banking users of DBS bank is very loyal to the number in 2020 of >200,000 but in 2022 it has grown by >800,000. This shows that the level of customer loyalty towards DBS bank in the use of e-banking is very good. **Although there is an increase in DBS e-banking users, there is also customer dissatisfaction that triggers customers not wanting to use e-banking because of the frequent error rate.**

The variable that can influence the intention to e-loyalty is e-satisfaction. Important aspect that should be considered is e-satisfaction is an evaluation based on their personal experiences with respect to needs and expectations customer (Anderson & Srinivasan, 2023).

Thus, in industries such as financial or bank, where customers have many choices, it is critical for owners and managers to understand what makes customers want to come back. Therefore, it is important for DBS Bank to increase

the satisfaction for their customers to use again in the future. Head of Digibank Bank DBS Indonesia said that the number of digibank by DBS application users continues to increase, where more than 75% of account opening activities for new customers have also been carried out online through the digibank by DBS application. This increase is also supported by the increasing digital adoption of bank DBS Indonesia's consumer banking customers with a penetration rate that has now reached >50%. Currently, more than 30% of users are already actively using the digibank by DBS app on a monthly basis (<https://keuangan.kontan.co.id/news/lebih-75-aktivitas-pembukaan-rekening-baru-dbs-dilakukan-lewat-aplikasi-digibank>, retrieved in 2023, August 20). This shows that the level of customer support thus supporting the increased use of e-banking DBS bank.

Thus, in an industry like banks, where customers have many choices, it's important to understand what makes customers loyal. Therefore, it is important for DBS Bank to increase the value of satisfaction in the use of e-banking.



**Figure 1. 2 Customer Review of Satisfaction**  
Source: DBS Bank (2023)

Figure 1.2. show a positive review with 4.5 stars and e-banking user customers due to easy use, complete features according to customer daily needs. This encourages customers to use DBS e-banking as a transaction tool in both payments, savings and investments. **Customers feel dissatisfaction so they often do negative reviews related to low e-banking performance.**

E-satisfaction is a use of banking services with a higher probability of e-loyalty (Giao et al., 2020). According to Haq and Awan (2020), in order to encourage e-satisfaction that impact on high e-loyalty, things that must be considered are reliability, security, application design and customer service.

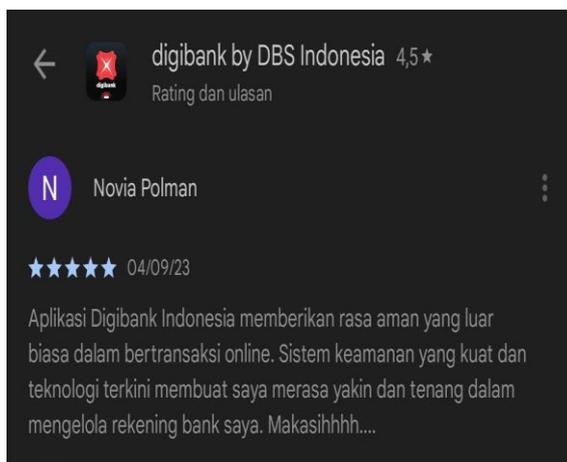
Reliability is organization fulfills its promises about service provision, price, delivery and problem solving that customers face (Iberahm, et al, 2019). DBS bank has a high level of reliability because it provides timely services, for e-banking can view detailed customer transaction information and information in e-banking is very complete and tailored to customer needs. This can be seen in the picture below which shows that the level of reliability of DBS bank is good.



**Figure 1. 3 Customer Review of Reliability**  
Source: DBS Bank (2023)

Figure 1.3. it is seen that the level of reliability that satisfies customers of e-banking users because it offers complete features and can help the daily payment activities of e-banking user customers. **The DBS e-banking website does not provide services exactly as promised or as advertised. This problem triggers negative reviews from customers.**

Security is the individual's belief that any activity or transaction conducted have high security and any personal information given guaranteed security (Amini et al, 2019). Digibank by DBS app is the right choice to experience various benefits in one application. Digibank by DBS application uses DBS Bank computer system is not directly connected to the Internet, because every system that interacts with the Internet at risk of being attacked by hackers. To protect our systems that interact with the Internet, we use firewall technology to prevent unauthorized access. A Firewall is a system that blocks unauthorized interactive access from other individuals or networks. Encryption is a communication process that scrambles personal information to prevent unauthorised access when information is transmitted between a customer's browser and DBS Bank. In addition, DBS Bank regularly shares various safety tips so that customers are protected from various types of fraud.



#### Figure 1. 4 Customer Review of Security

Source: DBS Bank (2023)

Figure 1.4 shows that customers are satisfied with the security offered by DBS e-banking. Many innovations made by DBS e-banking are aimed at making it easier, providing security guarantees to users. **Despite many security-related innovations, DBS e-banking is still often slow in the transaction process.** In addition, DBS bank also routinely shares information that can be easily accessed by DBS bank customers (<https://www.dbs.id/digibank/id/id/kartu/informasi-kemanan-bertransaksi>, retrieved in 2023, August 20)

According To Connolly, et al. (2019), application design is the design of user interfaces and application programs that use and process databases. DBS Bank as a financial institution that conducts business and banking practices responsibly, has taken action to make some adjustments to some of digibank's features/products that are currently available. Various features such as QRIS, Spending tracker, e-KTP account opening with just a face Selfie, manage credit cards, domestic and foreign transfers, Digibot, Top up various e-wallets, soft tokens that have one password for all transactions, live chat 24/7 in the digibank application.



**Figure 1. 5 Digibank Application**

Source: DBS Bank (2023)



**Figure 1. 6 Digibank Application Innovation**

Source: DBS Bank (2023)



**Figure 1. 7 Review of Application Design**

Source: DBS Bank (2023)

Figure 1.5, 1.6 and 1.7 show that the image above shows that the application design is complete and follows market developments that make it easier for users with a complete view and each feature is always given access to

complete information as an alloy for customers to understand the product/feature to be used. in addition, Digibank is neatly organized so that it triggers ease of access. Transactions through the DBS e-banking website are not guaranteed to be safe, such as frequent balance cuts but transactions are successful but when checked for several hours it turns out that the transaction failed because it was not listed in the transaction mutation. This is due to the slow process of e-banking.

Customer Service is every activity intended or intended for provide satisfaction to customers, through the services provided someone so that it can meet desires and needs of customers (Haetami, 2021). DBS Bank is innovating as a customer service in e-banking to make it easier for customers to get information quickly.



**Figure 1. 8 Customer service**  
Source: DBS Bank (2023)

Figure 1.8 show that Digibot is a virtual assistant feature from Digibank to help customers when they have questions about product information available in Digibank, how to open a Digibank account, excellent features in Digibank, and other information quickly and easily. DIGIBOT features that you can access,

starting from the welcome message feature, menu feature, dynamic FAQ feature, chat FAQ and chat feature with live agent. Chat with a live agent feature that is useful so that customers can ask questions directly to DBS agents through digibot regarding the obstacles customers.



**Figure 1. 9 Review of Customer service**

Source: DBS Bank (2023)

Figure 1.9 shows a satisfactory review because of the live chat innovation so that questions and complaints can be conveyed properly and customer problem solving can be done quickly. This can be accessed 24/7 making it easier for customers when there are controls and problems. **Despite the existence of digibot, many customer complaints cannot be resolved by digibot, requiring customers to DBS Bank for problem resolution.**

The phenomenon and explanation above show that the competitors of financial or bank industries keep increasing over time. As a result, DBS bank must continue to improve their e-satisfaction identifying variables that influence e-loyalty. Based on the explanation above, the writer decides to conduct a research focusing on identifying the Influence of Reliability, Security, Application

Design, and Customer Service has significant influence towards E-Banking Satisfaction in will eventually increase E-Banking Loyalty at DBS Bank.

## **1.2 Problem Limitation**

Based on the background described above, the authors need to limit the problem with the aim that the discussion of the problem is not too broad. This research will focus on:

1. Reliability, Security, Application Design, and Customer Service, E-Banking Satisfaction and E-Banking Loyalty.
2. The Data of this research is gathered from Reliability.
3. The data that is going to be used in further analyzing the research model is going to be collected in a form of questionnaires that are designed based on the research object.
4. The sample that will be further analyzed in this study is narrowed to a set of criteria:
  - a. Both males and females.
  - b. Currently living in Medan.
  - c. The age range of 18 to 60 years old.
  - d. Have a DBS bank account.
  - e. Have a DBS e-banking.
  - f. Have made transactions in DBS E-Banking within 2 times in the last 3 months.

### **1.3 Problem Formulation**

Based on the background of the study, the writer formulates several questions, as follows:

1. Does reliability significantly influence e-banking satisfaction at DBS bank?
2. Does security significantly influence e-banking satisfaction at DBS bank?
3. Does application design significantly influence e-banking satisfaction at DBS bank?
4. Does customer service significantly influence e-banking satisfaction at DBS bank?
5. Does e-banking satisfaction significantly influence e-banking loyalty at DBS bank?

### **1.4 Objective of the Research**

Based on the problem formulation the objectives of this research are:

1. To determine whether reliability significantly influence e-banking satisfaction at DBS bank.
2. To determine whether security significantly influence e-banking satisfaction at DBS bank.
3. To determine whether application design significantly influence e-banking satisfaction at DBS bank.
4. To determine whether customer service significantly influence e-banking satisfaction at DBS bank.
5. To determine whether e-banking satisfaction significantly influence e-

banking loyalty at DBS bank.

## **1.5 Benefit of the Research**

The writer expects that this research can give benefits both theoretically and practically.

### **1.5.1 Theoretical Benefit**

In terms of theoretical benefit, this report is expected to provide appropriate information and investigation regarding the influence of factors consists of Reliability, Security, Application Design, and Customer Service towards E-Banking Satisfaction through E-Banking Loyalty. Moreover, the researcher expects that this study will be utilized as a future reference for both general and academic research.

### **1.5.2 Practical Benefit**

The practical benefits on this research are:

#### **1. For the writer**

The writer as the researcher to get more experience in doing the research and as an addition to knowledge with regard to Reliability, Security, Application Design, Customer Service, E-Banking Satisfaction and E-Banking Loyalty.

#### **2. For the DBS Bank**

To provide useful suggestions for the company in increasing E-Banking Satisfaction and E-Banking Loyalty especially by improving the Reliability, Security, Application Design, and Customer Service.

#### **3. For other researchers**

The findings of this study ought to provide important insights and foundation regarding how Reliability, Security, Application Design and Customer Service are influencing E-Banking Satisfaction through E-Banking Loyalty.

