

CHAPTER 1

INTRODUCTION

1.1 Research Background

Banking system plays a critical role in developing modern economic world. Bank is one of the pillars in economic prosperity that connect those who have capital with those that need capital. Banks collect savings from individuals as well as institutions and turn it into available investment, for instance providing finance to businesses and manufactures according to their need. Other business models in banking sector have been introduced and implemented in various ways to ensure productivity and production capabilities in every sector of economy. In Indonesia, financial services, including banks are involved in promoting national economic recovery during pandemic in 2020 (Ministry of Finance, 2020). The government of Indonesia through Financial Services Authority (OJK, 2020) accelerate the implementation of Government stimulus or known as the National Economic Recovery Program (PEN).

To create a successful program, the government of Indonesia through Ministry of Finance stated that they were going to deposits state funds (PEN Funds) to State-owned banks. So those State-owned banks can provide loan restructuration and additional working capital loan for micro and middle enterprises to help business recover during pandemic (Ministry of Finance, 2020). In addition, OJK also advance the transformation and development of the digital ecosystem through various policies in banking sector. These policies then should allow the advancement of digital banking transformation blueprint and the implementation of digitalization to

increase banking transaction effectiveness for all banking business, especially Sharia banking business group (OJK, 2020). This is in accordance with Bank Indonesia campaign to start cashless society in Indonesia (Bank Indonesia, 2021).

In Asia-Pacific, other banks are experiencing exceptional financial challenges. Governments, central banks, and authorities across Asia-Pacific have cut interest rates, increased fund supplies, guaranteed loans, and other financial aid to many parties, including small and medium enterprises (SMEs), individuals and other businesses that runs in sectors that heavily impacted by pandemic. Thus, as argue by (Jain, 2021) that in the next one to two years most banks in Asia-Pacific are forecasted to have an increased in credit losses and weaker earnings. The increasing risks of banks' asset quality is due to many businesses and households struggle to repay their loan obligations. On the other hand, (Gilder, 2020) in EY research paper stated that in the first half of 2020 there is a change in customer behavior in terms of cash usage and payment methods, such as the adoption of contactless payments and digital transactions.

Gilder (2020) then elaborate the example of digital transaction in Hong Kong, for instance, there is an increasing number digital platform adoption in retail banking from 40% to 80% in a few weeks. Additionally, according to Walker (2020) in an online article mentioned that the central bank of Thailand, Bank of Thailand (BOT) has launched the world's first blockchain-based platform for government savings bonds. These leveraging blockchain platform allows buyers to benefit from rapid bond issuance. As well as Hong Kong and Thailand, there is an increasing number of digital banking usage in Singapore. Many Singaporean banking customers have signed-up digital banking mobile apps for DBS, which lead

to 216% rose between June and August 2020, in comparison with the same period from the previous year. As a result, DBS has hit a record of 3.5 million digital banking customers (DBS, 2020).

Furthermore, OCBC Bank in Singapore has also reported that the number of new online opening SME accounts grew 2.4 times in Q1 2020, in comparison with the same period of time in the previous year. Similarly, UOB in Singapore also reported an increase of online purchase of its investment product by 406% in Q1 2020 compared to the same period 2019 (Fintechnews Singapore, 2021). This shows that online banking and digital banking platform usage has been increasing and becoming more popular. Thus, online banking and digital banking are becoming bank strategies to grow their number of customers as well as fee-based income generated from online banking business.

Based on the research and data collected from OJK, there are four types of banks available in Indonesia that offer their respective services. These are: 1. State owned commercial banks. 2. Local private commercial banks 3. Local development banks. 4. Foreign commercial banks. A total of 109 banks operating in Indonesia (Indonesian Financial Services Authority, 2021). Among all the banks operating in Indonesia, four are state owned commercial banks, seventy are local private commercial banks, twenty-seven are local development banks, eight are foreign commercial banks (Indonesian Financial Services Authority, 2021). The above number of banks operating across Indonesia shows that the banking industry in Indonesia is considerably competitive in nature.

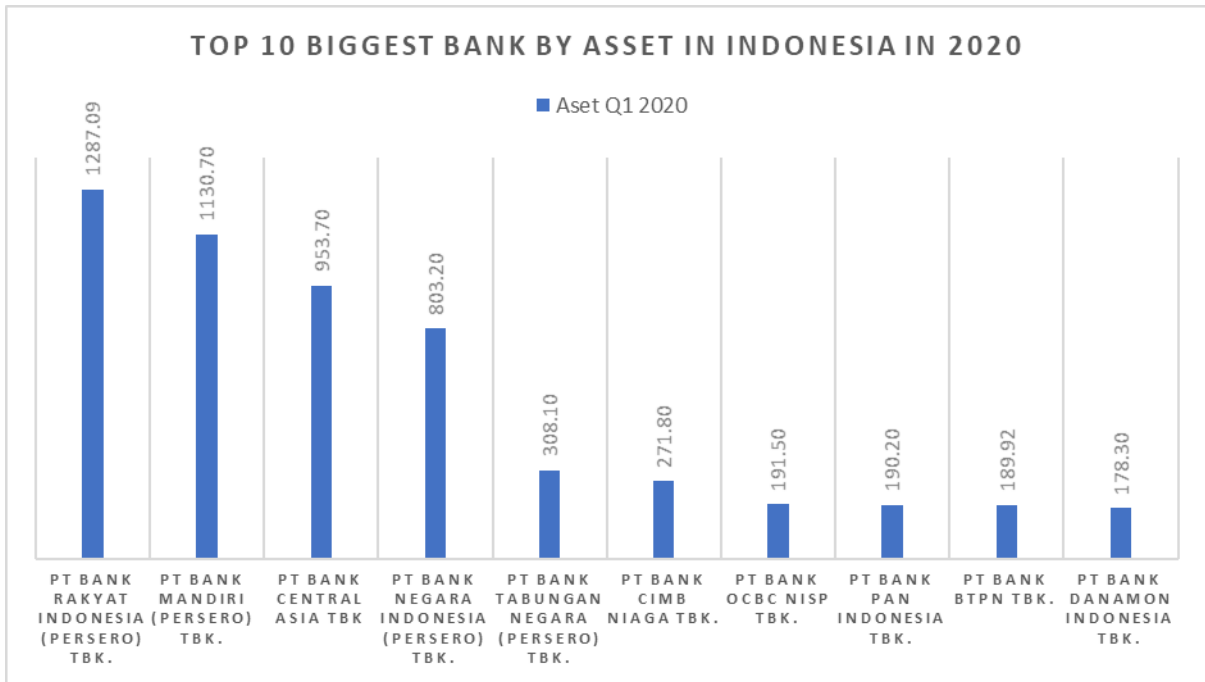


Figure 1. 1 Top 10 Biggest Bank by Asset in Indonesia in 2020

Source: trenasia.com (Inilah 10 Bank Pemilik Aset Terbesar di Indonesia 2020)

In Figure 1.1 there are top 10 biggest bank by asset in Indonesia in the second semester of 2020. Bank Rakyat Indonesia (BBRI) is listed as the largest bank in Indonesia by assets, followed by Bank Mandiri (BMRI), which two of these banks are the only banks with total assets that is more than one quadrillion Indonesian rupiah. As the growing number of middle-class population and ongoing development in financial sector, Indonesia's banking industry has continuously on the rise. Yet, in this top 10 biggest banks by asset in Indonesia, Sharia bank is not yet on the list.

The first Islamic bank in Indonesia was established in 1992 (Bank Muamalat, 2021). The very first Shariah bank in Indonesia is known as Bank Muamalat Indonesia (BMI). However, this establishment of Islamic bank in Indonesia considered late in comparison with other Muslim-majority countries, like Malaysia

(1983). This late of establishment was caused by various factors, such as the lack of support from Muslim community and government (Sari M, 2016).

In fact, Indonesia is one of the largest Muslim country in the world, with more than 220 million Muslims living in Indonesia (Brackey, 2018). Indeed, Sharia banking is one of the key components to develop Islamic economic, but most of Indonesian are not yet a customer of Sharia banks. Although, Indonesian Financial Services Authority (2021) stated that Shariah Banking asset in Indonesia are increasing respectively, from 385.482 billion Rupiah in November 2019 to 387.482 billion Rupiah in the same period of time in 2020 (as seen in Figure 1.2).

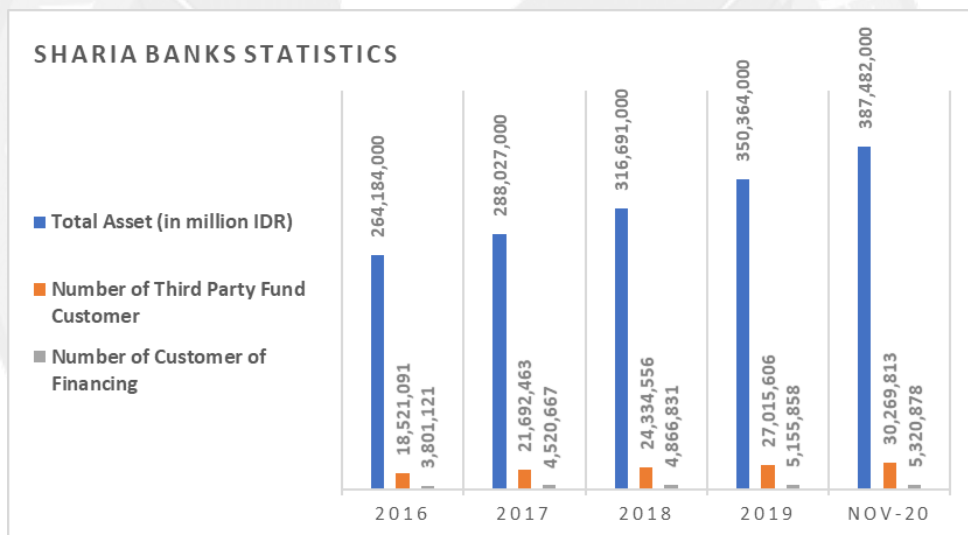


Figure 1. 2 Sharia Banks Statistics
Source: OJK (Statistik Perbankan Syariah) 2020

Similarly, the number of Sharia banking customers in Indonesia is also increasing over years. The total of third-party fund customers in 2019 was 27 million and in November 2020 they have grown up to 30 million customers. Furthermore, not only third-party fund customer, but financing customer has also expanded from 5,1 million in November 2019 to 5,3 million in November 2020.

According to Komite Nasional Ekonomi dan Keuangan Syariah (2020) Sharia banking in Indonesia has also grown its Compounded Annual Growth Rate (CAGR) in total of 15% from 2014 to 2018, in comparison, conventional banks CAGR was only 10% in the same period.

Sharia Bank in Indonesia			
1	PT BANK MUAMALAT INDONESIA Tbk	8	PT BANK JABAR BANTEN SYARIAH
2	PT BANK BNI SYARIAH *)	9	PT BANK PANIN DUBAI SYARIAH Tbk
3	PT BANK SYARIAH MANDIRI *)	10	PT BANK SYARIAH BUKOPIN
4	PT BANK MEGA SYARIAH	11	PT BANK BCA SYARIAH
5	PT BANK NET INDONESIA SYARIAH Tbk	12	PT BANK BTPN SYARIAH Tbk
6	PT BANK VICTORIA SYARIAH	13	PT BANK ACEH SYARIAH
7	PT BANK BRISYARIAH Tbk *)	14	PT BANK NTB SYARIAH

Table 1.1 Sharia Banks in Indonesia

Source: OJK (Daftar Bank & Alamat Umum Bank Desember 2020) 2020

Table 1.1 shows the list of Sharia banks in Indonesia. Despite the late establishment of Sharia banking in Indonesia, there are many Sharia banks operating in Indonesia as of 2020. Having 14 Sharia banks operating in Indonesia, it indicates that Islamic economic in Indonesia has grown over years and attracts more Muslims to use Sharia banks as their financial partners. Based on the data collected, Sharia banks customer have the potential to grow its market share respectively in the future as well as maintaining their loyal customers. Regardless the growth of its assets and customers every year, Sharia banks need to implement various strategies to expand its market share, strengthen Islamic economy and able to compete with top-10 conventional banks in Indonesia.

According to Hendra (2008), there has been an attempt to stimuli the number of customers and increasing customer loyalty for Sharia bank in Indonesia, such as

highlighting the rules and regulations of Islamic Law, especially about interest rate that is forbidden in Islam. However, the result of the study mentioned that Islamic law is not the only factor for Muslim to become a loyal customer. But other factor, such as service quality also has positive relation with loyal customer. According to OJK (2020) there is the need to establish financial service sector integration in development of halal industry and sharia economic ecosystem.

One of the strategies implemented by government of Indonesia to strengthen the Islamic halal ecosystem is through Digital Banking Transformation Blueprint and the implementation of digitalization for all Sharia banking business groups. To encourage Islamic financial institutions to be highly competitive, Sharia banks focuses on 3 main things, there are strengthening sharia financial institutions, creating sustainable sharia financial demand, and establishing an integrated sharia financial ecosystem with halal industry (OJK, 2020).

In February 2021, the government of Indonesia through the Ministry of State-owned enterprise announced a corporate action, which is a merger of three state-owned banks' subsidiaries. This corporate action created the biggest Sharia bank in the country. The three state-owned banks subsidiaries are including Bank Syariah Mandiri (BSM), BNI Syariah (BNIS), and publicly listed BRI Syariah (BRIS). BRIS is the surviving entity as its publicly listed status will simplify the merger process (Rahman, 2020).

After the integration of three state-owned bank subsidiaries, the company is then known as PT. Bank Syariah Indonesia, Tbk (BSI). Sharia bank planned to become an adviser for global sukuk issuance, as the company aim to strengthen its wholesale business and become the global center for Sharia economics and finance (Rahman,

2020). It was further explained that the new entity's total assets would reach 220 trillion Indonesia Rupiah after the merger. Thus, the entity will be in the top-10 list of biggest banks by asset in Indonesia and considered as the largest Sharia bank by asset in Indonesia.

Moreover, FitchRatings (2020) stated that this corporate action has the potential for national Sharia bank to become a champion in the market that can compete with other great conventional banks. FitchRatings (2020) also mentioned that the merger of three state-owned subsidiaries has significant potential in improving efficiency and advance bank's competitiveness.

This efficiency can include the reduce of operating cost that were generated by number of branches, marketing and IT expenses, lower funding cost and allows the bank to offer more competitive products and services to customers. Combining three Sharia banks also give other advantages for BSI to reach their customer, as seen in Figure 1.3, number of branches combined will be 1.120 across 34 regions, a total of 1.785 ATMs available across Indonesia, and the total assets of BSI combined will be 227.914 billion Rupiah. Bringing BSI to become the seventh largest bank by asset in Indonesia (BSI, 2021).

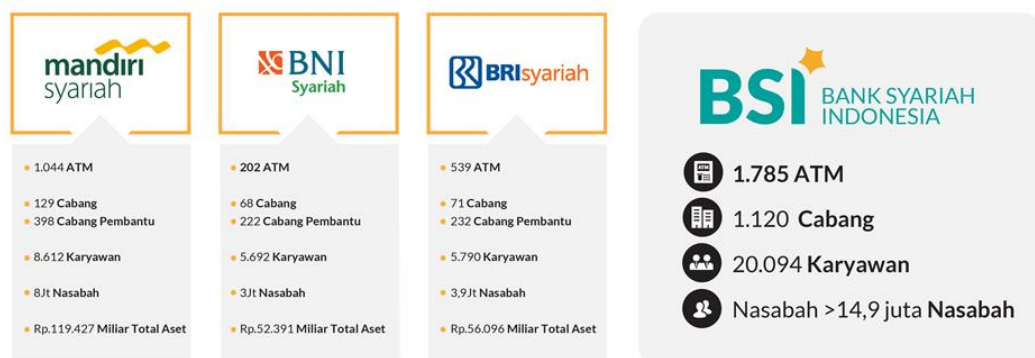


Figure 1.3 Bank Syariah Indonesia Service Coverage
Source: BSI (Service Coverage) 2021

As Indonesia have the largest Muslim population in the world, government are encouraging Islamic financial institutions to be highly competitive. Many strategies have been implemented to strengthen Sharia financial institutions by prioritizing product excellence, differentiation, strengthen capital, and cutting-edge IT. This strategy aims to capture its targeted customer in Indonesia and globally for both Muslims and non-Muslim's customer. However, there are still limitation for Sharia financial services in Indonesia to grow and compete with conventional financial institutions.

This research paper will analyze the influence of E-SERVQUAL that was previously conducted by Raza, Umer, Qureshi, and Dahri (2020) and adding trust as variable in the modified conceptual framework on e-customer satisfaction and its impact toward e-customer loyalty on BSI internet banking in Indonesia. Sharia banks play a vital role in the Islamic economic development in Indonesia. With the existence of BSI as the largest Sharia bank in Indonesia, and government strategies to encourage Islamic financial institution to be highly competitive in the market, this study will contribute to a better understanding of what and how the largest Sharia bank in Indonesia may leverage advancement in information technology to develop services that meet the expectations of BSI customers and to support the establishment of integrated Sharia financial ecosystem.

This study believed that the increasing number of satisfied customers will have a positive correlation on customer satisfaction and impact on customer loyalty, especially in banking industry towards the use of digital banking platform. This study also believed that internet banking service quality will have a positive and significant influence on e-customer satisfaction and significant impact on e-

customer loyalty, as well as useful for BSI management and managers to build effective marketing strategies. This marketing strategies may also result in the establishment of relationship with customers, acquiring competitive edge in the market, and successfully building an integrated Sharia financial ecosystem with halal industry.

The development and trends in information and communication technology has impacted banking industry worldwide (Campanella, Peruta, and Giudice, 2015). This development encourages banks to reshaping its business strategy to adapt to the evolving business models and ways to maintain relationship with customers. In financial sector, banking has become one of the industries that is increasingly competitive to be more efficient and innovative when it comes to the development of new products and offering better services, especially in the entry of new online financial operators that separates them with the traditional banking business (Monferrer, Moliner, and Estrada, 2019). Thus, it is crucial for institutions to forecast various indicators and then use that as a basis for fine tuning their organizational growth strategy.

Campanella et al., (2015) also argued that technological innovation has also made processing and transmission of information much more efficient as well as increasing customer loyalty. With the use of technology, internet banking in particular, customers are able do self-service transactions, such as balance inquiry, domestic and international transfer, purchasing products and reaching out to another bank product and services.

In Indonesia, online banking has turned mainstreamed. The development of digitalization has been driving Indonesian banks to recognize digital as part of their

development strategy. According to study conducted by PwC (2018) 66% of banks participated in their survey, ranging from Bank Pembangunan Daerah (BPD), joint ventures banks, local banks, state-owned banks and Syariah banks have indicated their digital strategy as part of their corporate strategy.

The study further explains that 44% of the respondents have indicated that their primary objective is to improve customer and employee experience. On the other hand, 32% of other banks participated in this study pointed out that their primary objectives on using digital strategy is to maximize revenue growth as seen in Figure 1.4.

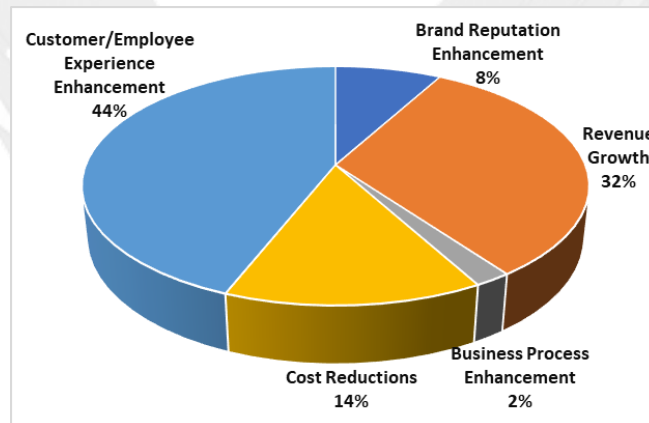


Figure 1. 4 Primary Objective of Digital Strategy
Source: PwC (Digital Banking Survey in Indonesia) 2018

According to We Are Social (2018) report in PwC (2018) there are many smartphone and internet users in Indonesia, for instance there are 132 million internet users, 178 million unique mobile users and 120 million active mobile social media users. Furthermore, the report mentioned that there are 50 million smartphone users in Indonesia, which require Indonesian banks to construct a smartphone based specific strategy to assist end customers. As the digital banking market matures, McKinsey&Company (2019) through its survey of financial services customers

elaborates that there is evidence on the growing adoption of internet and mobile banking use, that indicates digital channels will become increasingly crucial in building loyalty and generating growth for financial institutions.

Digital banking urgency has transformed the way bank execute transaction and has brought new strategic directions for bank investment in information and communication technologies. As study conducted by McKinsey&Company (2019) in Financial Services Customer Survey that digitally active consumers are seen to be more valuable to the non-digitally customers, since digital consumer found to be twice as loyal as nondigital consumers. McKinsey survey paper further explained that digitally active consumers have tendency to buy more banking products in comparison with the nondigital banking consumers.

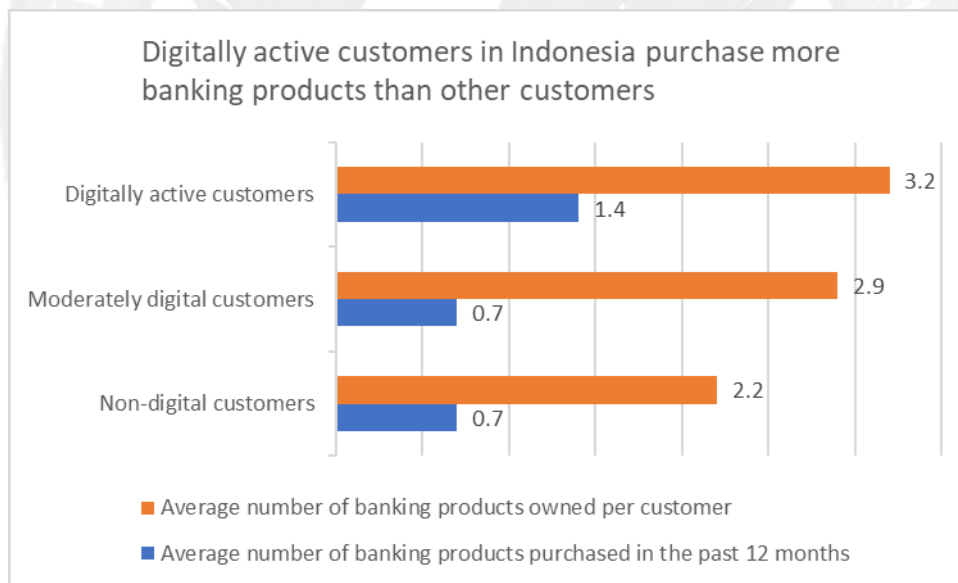


Figure 1. 5 Primary Digital Active Customer
Source: McKinsey (Digital Banking in Indonesia:
Building loyalty and generating growth) 2018

It can be seen in Figure 1.5 that the average number of banking products purchased in the past 12 months by digitally active customers are two times than the nondigital customers. Similarly, the average number of banking products owned per

customer by digitally active customers are higher than the nondigital customers. Not only the number of banking products purchased, and products owned, but the number of digitally active customers has grown 2.5 times since 2014 and reached 32 percent of banked population.

The result of the survey then explained that digital channels also provide other benefit, such as providing banks with access to valuable customer data demographics, product usage as well as credit behavior. According to Khatoun and Zhengliang (2020) that businesses with E-banking services can transact quickly than the traditional banking processes, thus transaction is becoming faster and reliable. Similarly, Alkhowaiter (2020) in Khatoun and Zhengliang (2020) research paper stated that global digitalization, including internet banking and mobile phone facilities has brought new ways of banking services that are much accessible for customer to use.

However, despite the benefits and convenience of using digital banking services, there are numbers of challenges that bank may face, for instance the rise of cyber security threat has also grown. As mentioned in the PwC's Global Economic Crime and Fraud Survey (2018) that cybercrime have grown for an extended period of time. Hackers become more intelligent and find new ways to infiltrate a network. The internet interconnections in digital ecosystem have led to a significant growth of cyber-attack. The survey showed that cyber security threat is the biggest risk in digital banking business, followed by losing skilled labor, rapid change in technology, competitors bank digital initiatives and fintech (Figure 1.6). For companies that did not have proactive threat detection measure, cybercriminals may bring serious damage to company's financial performance.



Figure 1. 6 Cyber Security Threats Pose a Major Risk to Digital Business
 Source: PwC (Digital Banking Survey) 2018

As stated by Jang-Jaccard and Nepal (2014) that computer networks and information technology solutions has created dependency in our society. Therefore, hackers are becoming more attracted to cyber-attack and potentially become more disastrous as our dependency towards technology increases. The rise of cyber-attacks is mostly caused by the convenient, cheaper to do and less risky than physical attacks. Jang-Jaccard and Nepal (2014) added that cyber-attacks are also difficult to identify and prosecute because of the anonymous nature of the internet. Consequently, it is expected that the number of cyber-attacks will keep growing and poses bigger threat for digital banking transformation.

Moreover, the other challenge for implementing digital banking service is the customer preferences to come into the physical bank branches. According to the result of PwC's Global Economic Crime and Fraud Survey (2018) that physical bank branches is still providing the best customer experience (Figure 1.7).

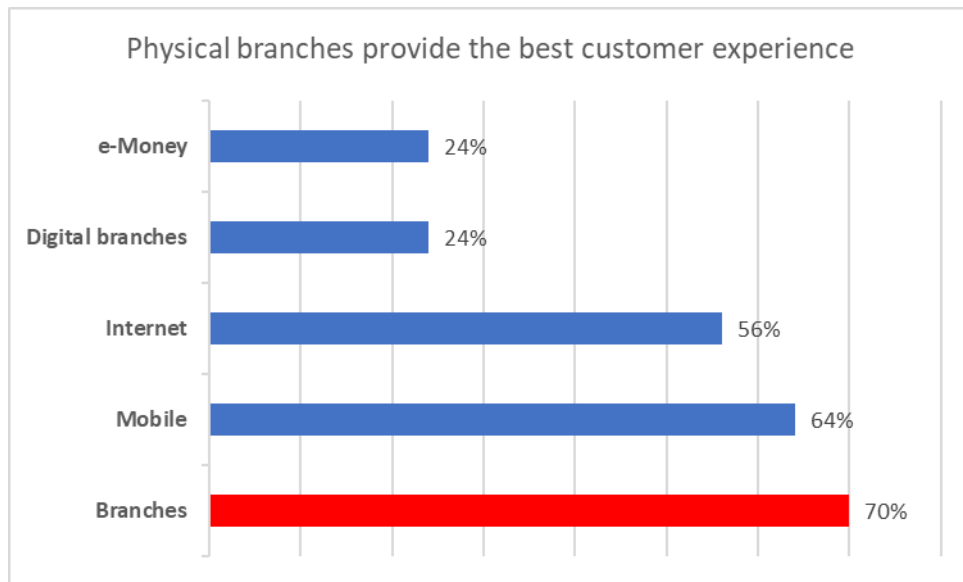


Figure 1. 7 Physical Branches Still Provide the Best Experience
 Source: PwC (Digital Banking Survey) 2018

The result of the survey also shows that digital branches, electronic money, and social media channels still require some work to improve and to provide excellent customer experience. In the PwC’s Global Economic Crime and Fraud Survey (2018) stated that other than speed, convenience, consistency, and friendliness, human touch plays a big role in creating real connections. Indeed, developing digital banking systems is a big challenge for banking industry.

No	Internet Banking (Mobile Banking)	Ratings	
		App Store	Google Store
1	BSI Mobile Banking	★★★★★ 3.9	★★★★★ 4.4
2	Muamalat DIN	★★★★★ 4.4	★★★★★ 4.6

Figure 1. 8 Mobile Banking User Reviews
 Source: Google store & Appstore user review 2021

This research study will also discuss about practical gap on BSI online banking. The first practical gap in BSI online banking are negative reviews and mobile banking score that are still below BSI competitor. It shows that one of BSI's online banking channels require some improvements to be able to provide best customer experience as well as trust for its potential users. Based on Figure 1.8 it shows that there are numbers of BSI Mobile Banking users indicated that they were not satisfied and provided negative reviews on both Appstore and Google store. In comparison, Mobile Banking by BMI showed a higher rating on Appstore & Google store. As stated by Pee (2016) negative reviews have much wider reach and could threaten product sales, since online reviews play a big role in customer's purchase decision making. The result of this study should be able to help BSI manager to close this practical gap by implementing effective service marketing strategies on BSI Mobile banking service and improve BSI online banking user reviews.

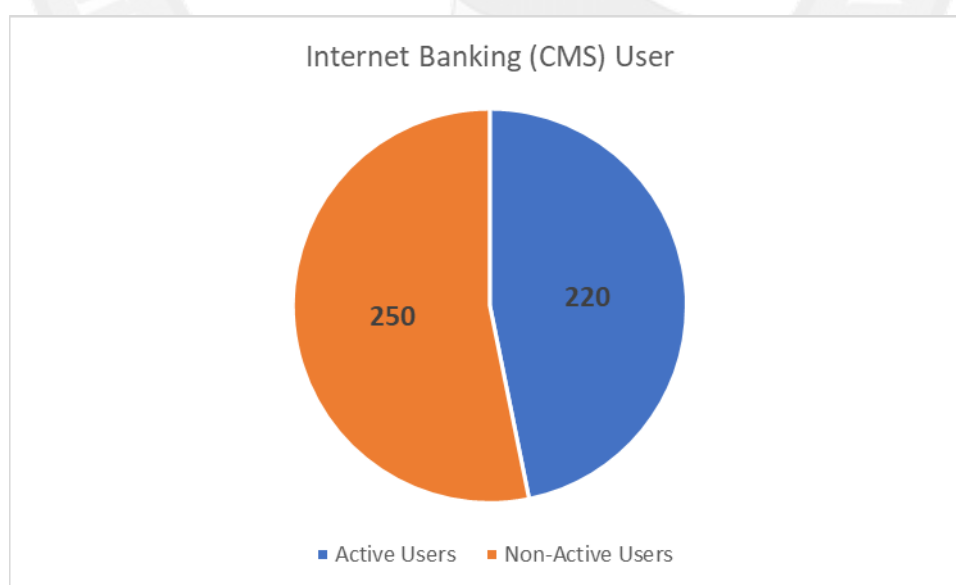


Figure 1. 9 Cash Management Internet Banking Users
Source: Bank Syariah Indonesia 2021

The second practical gap in BSI online banking service is the number of active Internet Banking (Cash Management) users as of March 2021 that are still below the target. Despite the increasing number of users registered over the years, yet the number of non-active internet banking (cash management) users has also increased. The non-active customers meaning that these customers did not do any transactions for the past 6 months. Based on Figure 1.9 it shows that the total number of internet banking users in March 2021 is 470 users. It includes of 250 non-active users and 220 active users. Which means that there are 53% of non-active users. The high number of non-active users can be caused by various factors, such as user interface, reliability, responsiveness, efficiency, and trust to the product provided by an organization. These high number of non-active customers also indicated that BSI internet banking cash management did not met every customer need and expectation. The electronic service quality test result in this study should help BSI managers to increase the number of active users by implementing effective service marketing strategies on BSI online banking service.

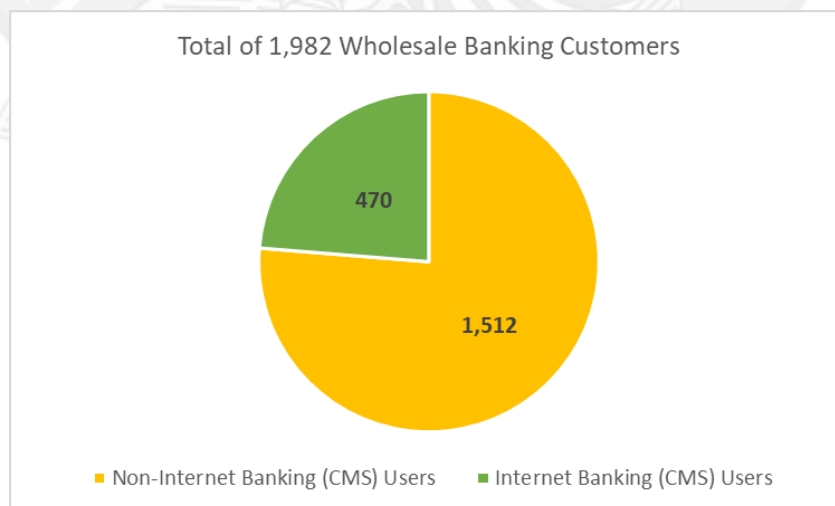


Figure 1. 10 Wholesale Banking Customers
Source: Bank Syariah Indonesia 2021

The third practical gap in BSI online banking service is the total number of Cash Management (Internet Banking) users or customers are still below the target. As seen on Figure 1.10 it shows that the number of Cash Management users are less than a quarter of the total number of customers as of March 2021. This means that there are 76% of BSI customers that still do transactions manually from bank branches. The low number of internet banking subscriber can be caused by several factors, such as user concerns about the security. According to Mukhtar (2015) security or trust are highly important while dealing in financial transactions. Furthermore, Mukhtar (2015) added based on findings of his study that the low number of internet banking users is also caused by the limited knowledge to use the internet banking. Yet, BSI managers has high opportunity to activate online banking transactions from its wholesale customers and increased fee-based income from online banking service fees by providing training and guidance to their potential customers.

Based on the three BSI online banking practical gap mentioned above, it can be concluded that Internet banking has numbers of challenges. This research study will test the relation between electronic service quality on e-customer satisfaction and the impact toward e-customer loyalty. The result of the test will be useful for BSI managers to gain knowledge on providing excellent electronic service quality on BSI online banking service, which should affect in the increasing of customer satisfaction and impacting customer loyalty. Thus, this study should help BSI managers on closing the practical gap on BSI online banking negative reviews, high number of non-active users, and increasing the number of online banking users. The

concept of customer loyalty refers to a deeply commitment held by customers to re-purchase a preferred product or service in the future despite situational influences.

Digital banking plays a major role in increasing customer loyalty and bring more value for banks, as the increasing number of users and transactions means more non-interest income for banks from charging fees on services. Therefore, banks are required to have a digital banking channels that deliver best customer experience. To provide best electronic customer satisfaction and electronic customer loyalty, this research paper will explore the service quality dimensions based on separate construct. This research suggests a model that enhances loyalty towards internet banking service quality through customer satisfaction in Indonesia. This model is relevant with the theory purposed by Parasuraman et al., (1988) earlier about service quality, in which service quality has positive influence on customer satisfaction (Raza et al., 2020).

This research paper refers to research study conducted by Raza et al., (2020) in Internet banking service quality model research paper. Paper by Raza et al., (2020) investigates Internet service quality in other country that has majority of Muslim population. This research will use a modified model of E-SERVQUAL by Raza et al., 2020 (Site organization, reliability, responsiveness, user friendliness, personal needs, efficiency) and add trust as a variable in the modified conceptual framework. Trust was introduced by Morgan and Hunt (1994) as one of the service quality dimensions and has been tested earlier on customer satisfaction in Malaysia (Baber, 2019; Ariff, et al., 2012). The result of the test shows that trust has significant influence on customer satisfaction and significant impact on customer loyalty

(Sundaram et al., 2017; Leninkumar 2017; Upamannyu, Gulati, Chack, and Kaur 2015).

In Raza et al., (2020) user friendliness, efficiency of websites, personal need and site organization are considered as the four components of iBSQ that has positive and significant influence on customer satisfaction and impact toward customer loyalty. The result of the study shows that iBSQ dimensions has positive and significant influence on customer satisfaction and impact toward customer loyalty. Raza et al., (2020) then elaborates other dimension in electronic service quality which also plays a major role in internet banking services. Electronic service quality serves as the basis for how clients interpret online banking and how it interacts with digital platforms. The result of the study shows that dimensions in electronic service quality also has positive and significant influence on customer satisfaction and impact toward customer loyalty.

The aim of this study is to test the influence of service quality dimensions and trust on customer satisfaction and its impact toward customer loyalty. The dimensions of service quality following suggestion from Raza et al., (2020) that consist of site organization, reliability, responsiveness, user friendliness, personal needs, efficiency. This conceptual framework will be tested empirically on online Sharia banking in Indonesia provided by Bank Syariah Indonesia. The result of this research will show the relation of BSI online banking service quality and trust as a predictor to e-customer satisfaction, and e-customer loyalty for banking clients in a country that has majority Muslim population. This research paper will be fruitful for banks, especially BSI in building effective marketing tactics, establishing long lasting relationship with customer.

1.2 Research Questions

Based on explanation above about the conceptual framework and every variables that will be used on this research study about BSI online banking, Therefore, the research question proposed in this study are as follow:

1. Does site organization as a dimension of E-SERVQUAL positively influence customer satisfaction?
2. Does responsiveness as a dimension of E-SERVQUAL positively influence customer satisfaction?
3. Does reliability as a dimension of E-SERVQUAL positively influence customer satisfaction?
4. Does user's friendliness as a dimension of E-SERVQUAL positively influence customer satisfaction?
5. Does personal need as a dimension of E-SERVQUAL positively influence customer satisfaction?
6. Does efficiency as a dimension of E-SERVQUAL positively influence customer satisfaction?
7. Does trust positively influence customer satisfaction?
8. Does customer satisfaction has positive impact toward customer loyalty?
9. Does trust has positive impact on customer loyalty?

1.3 Objective of the Study

From the research question stated, this study formulates 7 research objectives in the context of BSI online Sharia banking in Indonesia, which are:

1. To test and analyze the relationship between site organization and electronic customer satisfaction.
2. To test and analyze the relationship between responsiveness and electronic customer satisfaction.
3. To test and analyze the relationship between reliability and electronic customer satisfaction.
4. To test and analyze the relationship between user's friendliness and electronic customer satisfaction.
5. To test and analyze the relationship between personal need and electronic customer satisfaction.
6. To test and analyze the relationship between efficiency and electronic customer satisfaction.
7. To test and analyze the relationship between trust and electronic customer satisfaction.
8. To test and analyze the impact between electronic customer satisfaction and electronic customer loyalty.
9. To test and analyze the impact between trust and electronic customer loyalty.

1.4 Significance of the Study

1.4.1 Academic Aspect

This study is expected to contribute to the source of literature that can be used and help other study to improve general knowledge and other knowledge, especially in Islamic banking industry, such as the influence of e-service quality on customer's satisfaction and its impact towards customer's loyalty on BSI online banking in Indonesia. In addition, this study can also be the basis for further research on e-customer satisfaction and e-customer loyalty in banking industry.

1.4.2 Managerial Aspect

The findings of this study should assist bank managers and practitioners to help and provide information in relation to building effective marketing strategies, establishing long lasting relationship with customer, acquiring the competitive edge in the market, and building reliable integrated sharia financial ecosystem with halal industry, as well as to maximize their growth through the increasing number loyal customer and customer satisfaction, with the use of internet banking service quality. With the result of the study bank should also be able to consider these factors as their corporate strategy to increase customer loyalty and customer satisfaction as well as help Islamic bank on prioritizing e-service quality factors that will influence customer satisfaction. Similarly, the information would be of use to global Islamic banks that intend to enter Indonesian market, either as partner or independently.

1.5 Systematics Writings

In order to provide a bigger picture, this research is arranged based on a systematic basis that is presented and emphasized in five chapters.

The outline of this study is as follow:

Chapter 1 – Introduction

This chapter discusses the background and introduction of the research study, where it contains research background, research problem, research objectives, research benefits, research limitations and systematics writings.

Chapter 2 – Literature Review

In this chapter it will consist of literature review that this research is based upon. It will also discuss the theoretical background, previous research, theoretical framework, the relation between variables and hypotheses.

Chapter 3 – Research methodology

In this chapter it will discuss the research methodology used in the research, where it consists of research object, unit of analysis, type of research, operationalization of research variables, measurement variables, definition of conceptual and operationalization variables, population and sample, sample collection method, and data analysis method.

Chapter 4 – Research Result

This chapter discusses about the data analysis and the answers to the research problems carried out from the data collected earlier in the study through electronic questionnaire. The data will then be analyzed for the variables and its indicators.

Chapter 5 – Conclusion

This chapter proposed the overall conclusions and implications of the research, and it will also provide suggestions and recommendation for future research.

