

## **Chapter - 03**

### **Conceptualisation and Hypotheses**

#### **3.1 Introduction**

This chapter covers the following areas such as conceptualisation, conceptual model, variables relevant to conceptual model, hypothesis, operationalisation and summary.

As there is a clear cut research gap found in literature review regarding e-banking effectiveness and the relations between the customer attitude towards e-banking, scope of e-banking applications, level of e-banking service quality, e-banking security, profitability of e-banking, considering e-banking as a strategic tool, level customers relationships management, and together with operational efficiency of e-banking, these relations are focused specifically in this empirical research.

This empirical study is concerned with the issues relating to and the factors that contribute towards the level of e-banking effectiveness within the commercial banking environment in Sri Lanka. Thus, this chapter discusses of the model as depicted in the Figure 3.1 in detail and each of the variable used. The conceptual framework draws on eight major areas, namely, customer attitude towards e-banking, scope of e-banking applications, level of e-banking service quality, security of e-banking, profitability of e-banking, considering e-banking as a strategic tool, level customer relationships management and operational efficiency of e-banking. From the literature survey on these areas, hypotheses related to the e-banking effectiveness are developed.

#### **3.2 Conceptualisation**

In this study, we used two basic perspectives to measure the level of e-banking effectiveness in Sri Lanka.

1. Customer's perspective
2. Bank's perspective

Customer's perspective involves customers-related aspects about level of e-banking effectiveness. It contains four key concepts such as customer attitude towards e-banking, scope of e-banking applications, level of e-banking service quality and security of e-banking.

Bank's perspective involves other aspects of e-banking effectiveness. It has four key concepts: profitability of e-banking, considering e-banking as a strategic tool, level customer relationships management and operational efficiency of e-banking.

### **3.3 Conceptual Model for the Investigation**

The study is based on the conceptual model depicted below in Figure 3.1 by taking into consideration the underlying factors that contribute to the e-banking effectiveness. This is a fundamental study regarded e-banking environment in Sri Lanka.



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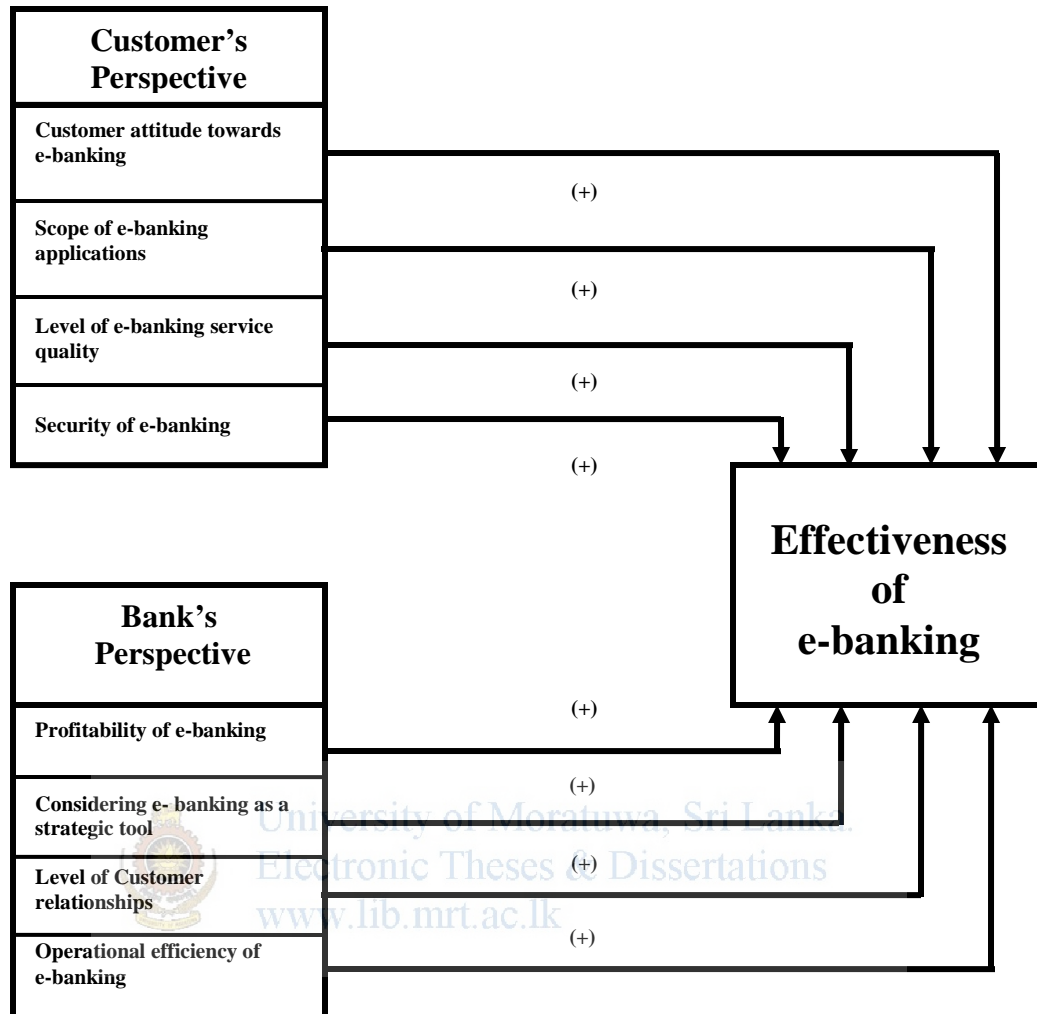


Figure 3.1 The relationship between level of e-banking effectiveness and related key concepts.

### 3.4 Variables Relevant to the Conceptual Model

This study proposes to examine the hypothesized relationship between level of effectiveness of e-banking (dependent variables) and its related independent variables viz, customer's perspective and bank's perspective on the one hand. The study proposes to test the apparent contribution of both perspectives to determine the level of effectiveness of e-banking in Sri Lanka. The selected key concepts in the above conceptual model are defined below:

**Customer attitude towards e-banking:** Positive attitudes and previous experiences with technology and computers are identified as common traits of most users with regard to the proper characteristics of individuals currently using online banking services (Black, et.al-2001; Karjaluoto et.al-2002a, 2002b).

**Scope of e-banking applications:** Comprehensiveness of e-banking applications or range of e-banking services.

**Level of e-banking service quality:** E-banking acceptance depends probably on bank service quality, customer preferences and satisfaction (Olga Luštšik -2003).

**Security of e-banking:** According to Cooper (1997) and Daniel (1999) another important factor affecting the acceptance and adoption of new innovation is the level of security or risk associated with it.

**Profitability of e-banking:** It means the profit earning capacity of e-banking operation.



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**Considering e-banking as a strategic tool:** E-banking is a successful strategic weapon for banks to remain profitable in a volatile and competitive marketplace of today (Chandana and Paula – 2001).

**Level of customer relationships:** “Building strong customer interaction, accessibility... will lead to successful long-term customer relationships” (Roland -2002).

**Operational efficiency of e-banking:** Jeevan (2000) observes that the e-banking enables banks to offer low cost, high value added financial services.

**Effectiveness of e-banking:** “Effectiveness criteria measure the outcomes achieved by anything. A particular operation may be effective in some respects and ineffective in others” (Hellriegel, et .al- 2002).

### 3.5 Operationalisation

Table 3.1 Operationalisation

	Key Concept	What is measured?	Indicator	Selection of models/theory /concepts and correspondent references
<b>Customer's Perspective</b>				
01	Customer attitude towards e-banking	What kind of attitude customers have about e-banking?	<ul style="list-style-type: none"> <li>• Trust</li> <li>• Customer acceptance</li> <li>• Promotional activities of e-banking by banks</li> </ul>	Sathye(1999),Black, et.al(2001), Tehran Iran (2004), Andy Zavoina (2004)
02	Scope of e-banking applications	Degree to which e-banking applications fulfill customers' banking requirements	<ul style="list-style-type: none"> <li>• Comprehensiveness of e-banking services/ range of services</li> </ul>	Parsons (1996), Rose (2000)
03	Level of e-banking services quality	Degree of level of e-banking quality of services	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Reliability</li> <li>• Responsiveness</li> </ul>	Dick and Basu (1994), Aladwani (2001), Olga Luššik (2003)
04	Security of e-banking	Degree of security	<ul style="list-style-type: none"> <li>• Privacy</li> <li>• Integrity</li> <li>• Authentication</li> </ul>	Sathye (1999), Singh (2001), Cooper (1997)
<b>Bank's Perspective</b>				
05	Profitability of e-banking	Degree of revenue growth through e-banking	<ul style="list-style-type: none"> <li>• Revenue growth</li> </ul>	Dow (1997), Moody (2000)
06	Considering e-banking as a strategic tool	Degree of contribution to achieve bank's strategic goals	<ul style="list-style-type: none"> <li>• Competitive strategy</li> <li>• Distribution channel strategy</li> </ul>	Mols (1999), Chandana and Paula (2001), Turban (2005)
07	Level of customer relationships	Strength of customer relationship by usage of e-banking	<ul style="list-style-type: none"> <li>• Interaction</li> <li>• Accessibility</li> </ul>	Goldfinger (2001), Roland (2002)
08	Operational efficiency of e-banking	Degree of operational efficiency	<ul style="list-style-type: none"> <li>• Reduce Costs</li> <li>• Increase productivity and speed</li> </ul>	Storbacka (1994), Mahan (1996), Jeevan (2000)
09	Effectiveness of e-banking	Level of effectiveness	<ul style="list-style-type: none"> <li>• Customer's perspective</li> <li>• Bank's perspective</li> </ul>	Daft (2000), Don Hellriegel, et. al (2002)

In the above section, the concepts and variables that have been selected for the conceptual model of the study will be further developed so as to provide basis and means for observation and measurement.

### 3.6 Hypotheses

Based on the assumed causal relationship given in the conceptual model, the following hypotheses were developed.

- H<sub>1</sub>:** The greater the perceived customer attitude towards e-banking, the higher the level of e-banking effectiveness.
- H<sub>2</sub>:** The greater the scope of e-banking applications, the higher the level of e-banking effectiveness.
- H<sub>3</sub>:** The greater the service quality of e-banking, the higher the level of e-banking effectiveness.
- H<sub>4</sub>:** The higher the level of security of e-banking, the higher level of e-banking effectiveness.
- H<sub>5</sub>:** The higher the profitability of e-banking, the higher the level of e-banking effectiveness.
- H<sub>6</sub>:** The greater the degree to which e-banking is considered as a strategic tool, the higher the level of e-banking effectiveness.
- H<sub>7</sub>:** The higher the level of customer relationship through the e-banking, the higher the level of e-banking effectiveness.
- H<sub>8</sub>:** The higher the level of operational efficiency of e-banking, the higher the level of e-banking effectiveness.

### 3.7 Chapter Summary

This empirical study is concerned with factors relating to the effectiveness of e-banking in the commercial banking environment in Sri Lanka. Thus the research framework draws on eight areas, namely: customer attitude towards e-banking, scope of e-banking applications, level of e-banking service quality, security of e-banking, profitability of e-banking, considering e-banking as a strategic tool, level of customer relationships management and operational efficiency of e-banking.

The model represents the key variables that are associated with effectiveness of e-banking. There are many empirical studies carried out outside Sri Lanka on e-banking.

In each of the above-mentioned eight areas, dimensions to measure are developed taking into consideration previous studies that have been earlier explored under different areas.



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