

CHAPTER I

INTRODUCTION

1.1 Research Object Overview

1.1.1 History of the company

Bank Mandiri is one of the leading commercial banks in Indonesia; it was formed on 2 October 1998 as a result of the merger made by Indonesian Government from four older government-owned banks that had failed in the 1998 financial crisis. The four state owned banks: Bank Bumi Daya (BBD), Bank Dagang Negara (BDN), Bank Ekspor Impor Indonesia (Exim) and Bank Pembangunan Indonesia (Bapindo) were amalgamated with bank Mandiri in 1999 and bank Mandiri commenced commercial operations in August 1999.

Source: http://www.bankmandiri.co.id/english/corporate01/about_our.asp [Cited 1st August 2014]

Bank Mandiri held its initial public offers (IPO) on July 2003 where the Indonesian government divested 20% (4billion share) of its shareholding to the public. The same year the bank issued a five-year US \$300million MTN listed on Singapore Stock Exchange. In 2004 the Indonesian Government divested an additional 10% of its shareholding in Bank Mandiri through secondary offering.

Source: http://www.bankmandiri.co.id/english/corporate01/about_our.asp [Cited 1st August 2014]

Bank Mandiri business units are: consumer banking, small and micro business, commercial banking, corporate banking and Treasury and International banking services. Subsidiaries of Bank Mandiri include: Mandiri Sekuritas (for businesses in the capital market), Bank Syariah Mandiri (for Islamic-compliant financing), AXA-Mandiri Financial Services (for life insurance), Bank Sinar Harapan Bali (for micro and small businesses financing), and Mandiri Tunas Finance (for vehicle ownership financing).

Source: http://www.bankmandiri.co.id/english/corporate01/about_our.asp [Cited 1st August 2014]

As of December 31, 2010, 12 regional offices, 66 hub offices, 115 community offices, 1096 branch offices and cash outlets, 12,666 ATM networks, 4 international offices and representative office supported Bank Mandiri. Bank Mandiri has enjoyed numerous awards over the years, these include: Indonesia Good Corporate Governance Award 2010. The Most Trusted Company: Very Reliable Point at 91.67 and The Strongest Bank Award 2010 in Indonesia from The Asian banker among other awards.

Source: http://www.bankmandiri.co.id/english/corporate01/about_our.asp [Cited 1st August 2014]

Today, Bank Mandiri continues this tradition of more than 150 years of delivering outstanding banking and financial services that was developed by the four legacy banks, all of which played an integral role in the development of the Indonesian economy over many generations.

Source: Annual Report 2013 PT Bank Mandiri (Persero) Tbk.

1.1.2 Vision and Mission

a) Vision Statement

To be Indonesia's most admired and progressive financial institution

b) Mission Statement

1. To be market oriented
2. To enhance professionalism
3. To maximize returns to stakeholders
4. To have an open management approach
5. To demonstrate concern for the community and environment

Source: http://www.bankmandiri.co.id/english/corporate01/about_our.asp [Cited 1st August 2014]

1.1.3 Brand Identity

Figure 1.1



Source: <http://www.bankmandiri.co.id/english/index.aspx> [Cited 1st August 2014]

1.2 Research Background

The development of information technology, telecommunications and the Internet has led to the development of many things all directed towards making life better and easier. The term "electronic banking" or "e-banking" covers both computer and telephone banking. It refers to the use of information and communication technology by banks to provide services and manage customer relationship more quickly and most satisfactorily (Charity-Commission, 2003).

Burr W. (1996) describes it as an electronic connection between the bank and the customer in order to prepare, manage and control financial transactions. Electronic banking according to Al-Abed (2003) is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick and mortar institution. Lustsik O. (2004) describes electronic banking as a variety of the following platforms: Internet banking, telephone banking, TV-based banking, mobile phone banking, and PC banking.

The purpose of this research, author define electronic banking as the delivery of banking services and products through the use of electronic means irrespective of place, time and distance. Such products and services can include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money.

E-banking is receiving a lot of attention with many banks now offering the service because of its high demand among its customers and also as a means of the banks to remain competitive in the ever-changing world. In Indonesia there have been an increase among customers use of Internet banking in the last ten years. The growth of Internet banking can be attributed to several advantages among customers; e-banking has eliminated the space and time boundaries in relation to when and how customers can access their accounts. It has also eliminated the physical barriers between the banks and the clients. E-banking has also been associated with security among the customers as third party doesn't get to know when customers visit the bank. The customers can access from anywhere.

The benefits of this 21st century banking are numerous. Its introduction has increased the potential of business to attain greater productivity and profitability, as trading and transactions, which would be carried out via communication networks, would be a lot faster and distance would no longer be barrier to effective transactions. Indonesia's banking sector is largely dominated by commercial banks, which control 97 percent of total deposits and assets. It is also highly concentrated: the three top institutions (Bank Mandiri, BCA and BRI) represent 35 percent of the total assets while the top five institutions represent 50 percent of total assets.

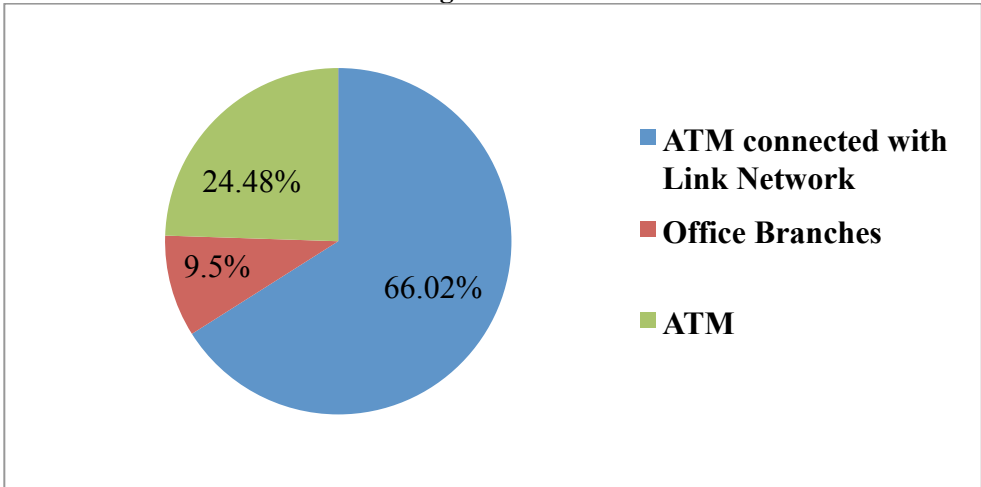
The benefits of e-banking are viewed from the customer's point of view, the bank and the regulators. Banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more. Banks that cannot offer these services are increasingly losing their customers.

Bank Mandiri has a wide collaboration with various types of industries particularly in the payment system by using Mandiri's product. The bank often offers many special deals as the result of its mutual collaboration with certain companies in order to enhance sales of the company and maintain loyalty of Mandiri's customers furthermore, Bank Mandiri is often acted as the medium of payment within government and educational institution such as payment of electricity through e-banking.

Bank Mandiri has had a continuous growth through the years through its collaboration to maintain customer loyalty and satisfaction through provision of better and convenient services. Since 2010 Mandiri has increased their office branches to 2,132, they have increased their ATMs with 5,495 Mandiri ATMs, increased 3 more international offices and increased to 14,822 ATM connected with Link Network. The new ATM Prima Link Network has enabled customers to complete cash transactions, withdrawals, check balances and transfer funds between more than 22,000 banks that are connected through the ATM Prima Network.

Since 2010 Mandiri has increased their office branches, ATM's and ATM connected with Link Network

Figure 1.2



Source: <http://www.mobile-money-gateway.com/sites/default/files/Mobile+Banking+Final+Report.pdf>

[Cited 3rd August 2014]

1.3 Mandiri's Internet Banking Products

a) Bank Mandiri 24- Hour Service

24-Hour Service is an electronic distribution channel of Bank Mandiri, which consists of Mandiri Internet, Mandiri Mobile, Mandiri SMS, Mandiri Call and Mandiri ATM.

b) Mandiri Internet

Mandiri Internet is a facility delivered to Bank Mandiri customer for conducting banking transactions through internet network, anytime, anywhere, 24 hours a day 7 days a week.

c) Mandiri Mobile

Mandiri mobile is a banking mobile service on a smartphone (Blackberry, Android, and iPhone) with an attractive menu display and user-friendly. Through mandiri mobile, customers can make financial (transfer, payment, purchase, etc), and non-financial (balance check, transaction history check, etc) payment including information for branch/ATM, exchange rate and the other fascinating features.

d) Mandiri SMS

Mandiri SMS is banking electronic service to access customer account by using mobile phone facility.

e) Mandiri Call

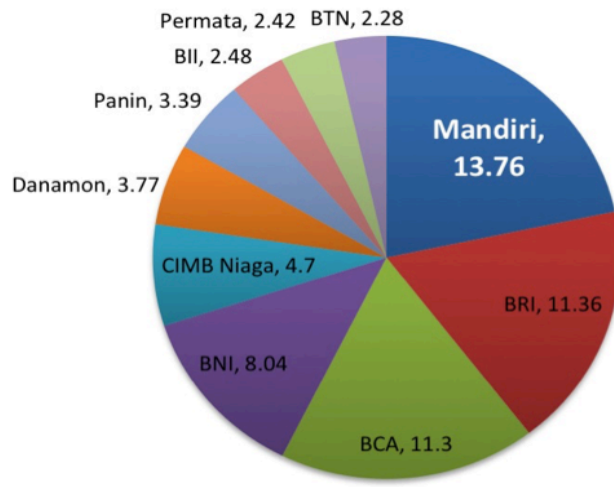
Mandiri Call is a 24-hour automatic banking service via phone or cell phone, which makes customers closer to account and makes it easier for customers to manage accounts without space and time barriers. Doing the banking transaction is as easy as customers dial the phone.

Source: http://www.bankmandiri.co.id/english/article/index_electronicbanking.aspx [Cited 4th August 2014]

The objective of this study is to examine and assess the impact of e-banking services on customer satisfaction in the Indonesian banking industry, with a case study on the Mandiri Bank Indonesia in Bandung city Setiabudi branch.

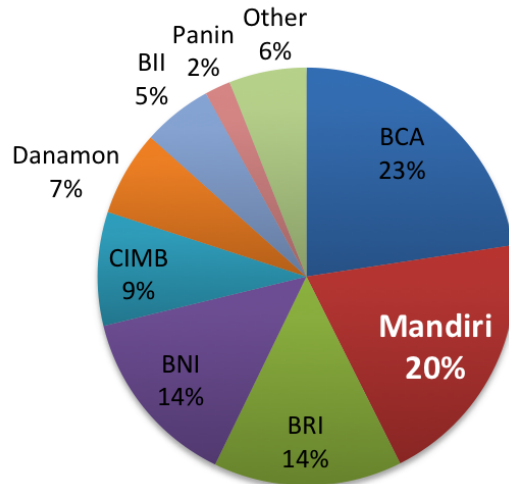
Bank Mandiri is in the top position in terms of asset controls at Rp 371.67 trillion, which is worth 13.76% of total banking share assets in Indonesia.

Figure 1.3
Market Share of Indonesian Banking Industry Based on Asset



Bank Mandiri stands in the second position after BCA based on the popularity of its brand, which was obtained from the numbers of its occurrence on web pages, news, pictures and people vote in corresponding context.

Figure 1.4
Market Share of Indonesian Bank based on Brands of Bank



Source: <http://www.mobile-money-gateway.com/webform/ifc-report-mobile-banking-indonesia> [Cited 4th August 2014]

In 2008, there were about 10 million credit cards (up from 9 million) and 36million debit cards (up from 26 million) in circulation. The debit card growth mirrors international trends in the wake of the global recession. (Euro monitor International). This increase is likely caused by the rising need of people on mobility, which is provided by non-cash payment tools such as credit card and debit card as well as Mobile banking and Internet banking. The frequency of using Internet banking and ATMs among Mandiri bank customers is as follows, respectively:

Figure 1.5

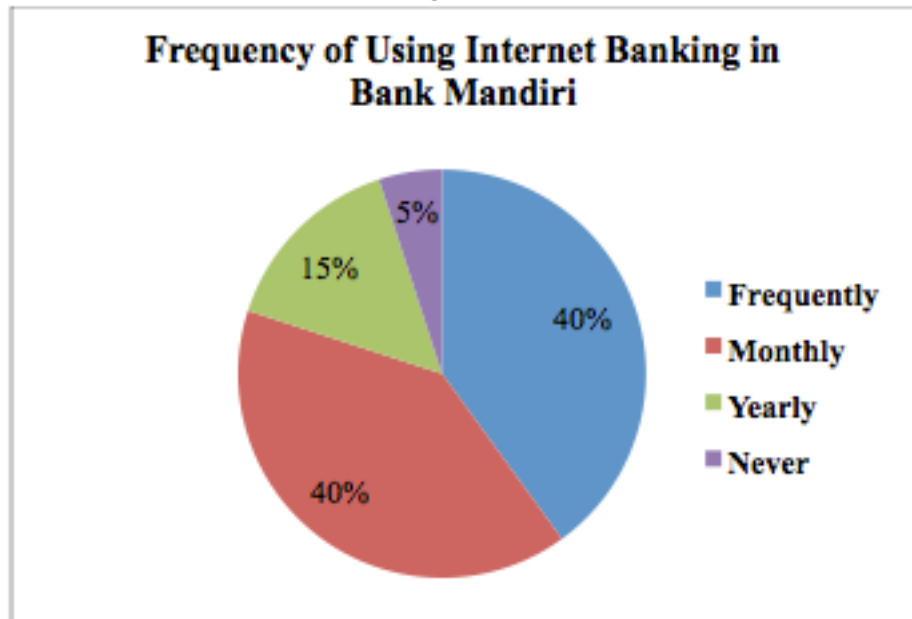
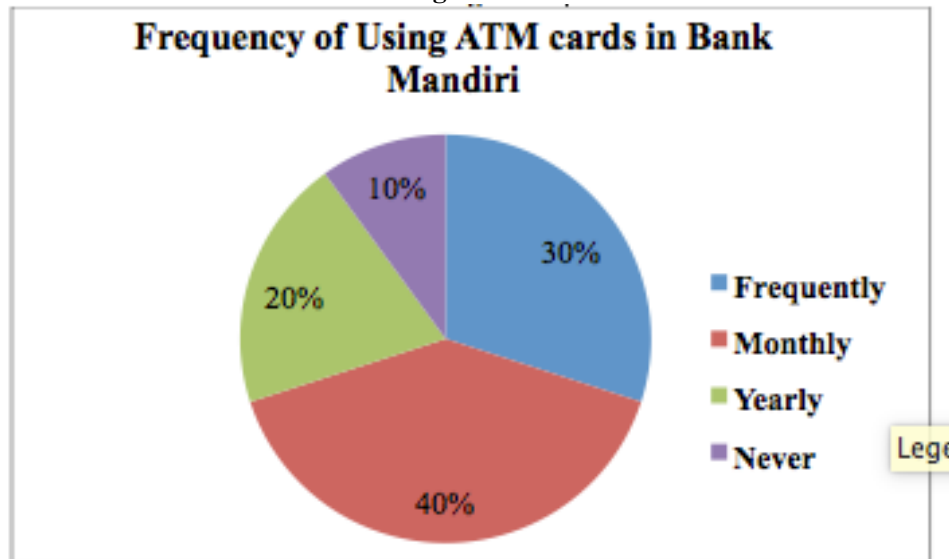


Figure 1.6



Source: <http://www.mobile-money-gateway.com/webform/ifc-report-mobile-banking-indonesia> [Cited 4th August 2014]

Bank Mandiri enjoys a good reputation among its customers because of its services, with this findings, Mandiri bank makes a good choice for my research to find out what other factors in relation to their services form the basis for their customer choice. The study seeks to find out the levels of Bank Mandiri customer satisfaction on their e-banking services, the measurements will be measured according to customer's age, gender, education levels and occupation. Based on the phenomenon and the data above, the author wants to conduct a research with the title **“THE IMPACT OF ELECTRONIC BANKING OF MANDIRI ON CUSTOMER’S SATISFACTION: The Case Study Bank Mandiri Setiabudi Branch 2014”**

1.4 Problem Statement

The introduction of electronic banking in to the banking sector is to bring customer satisfaction there by to enhance the banks profitability. Unless this technology bring increase customer satisfaction than the traditional brick and mortar branches customers may perceive as the same as different branches rather than a new means of delivery channels. Daniel (1999) and Mols (1998) described that compared to ordinary banking system electronic banking is providing the competitive advantage by lowering the cost and providing best satisfaction of customer needs. The old age people are generally shy of use of ATM because of perceived risk of failure, complexity, security, and lack of personalized service (Moutinho, 2000). Applegate(1996) also described the benefit of e-banking from customer point of view; convenient and valuable source to deal with funding because it provides convenience to access account 24/7 that is access is not limited to banking operation hours and available around the clock, wherever the customer's located. Abraham (2012) described several benefits of electronic banking like transferring money, collecting receivable, paying bill, productivity gains, transaction cost reduction, customer service improvement and at the same time establishing a means to control the overall activities on bank accounts. Study conducted in Nigeria revealed that 47%of customer that used electronic banking products and services are satisfied with the quality of the products and efficiency of the delivery (Ahmed, 2005). A study conducted by Philipos L.(2013) about customer satisfaction and electronic banking service on some selected banks of Ethiopia listed that currently there are some factors which affect customer satisfaction in electronic banking service in selected banks (commercial banks of Ethiopia, Wegagen bank, and Zemen bank) of Ethiopia. Those are machine out of order, machine out of cash, no printing statements, cards get blocked, frequent breakdown of ATM service, unreliability of ATM service, lack of sufficient technicians in all bank who solve breakdown of ATM machine, lack of sufficient alternative system which substitute ATM service for the customer when temporary problem happen in the machine, lack of convenience of E-bank service, lack of mobile banking service, lack of reliable Tele-banking, lack of credit card service, under-development of technological infrastructure, low level of relevant knowledge creation and

innovation, interruption of network, lack of suitable and regulatory frame work for e-commerce, resistance to changes in technology among customers and service providers as result of fear of risk, lack of fair distribution of E-banking service in all over Ethiopia during his pretest of this study. In his study result he found that customer satisfaction in e-banking has significant relationship with convenience, reasonable and fair fees (charges) during transaction, efficient service of e-banking, privacy, security, reliability and responsiveness of employees to solve e-banking service failure and these variable determined 84% customer satisfaction in e-banking and he also recommended for future researcher to investigate the impact of e-banking on customer satisfaction, customer loyalty and customer retention. Belay Deribe and Ebisa Deribie (2012) in their study of evaluation of customer satisfaction on bank services in Jimma Commercial bank of Ethiopia found that 25% of their sample responded that there was no any change the benefits they got from e-banking in comparison to ordinary banking and 17% of their sample respondents replied that they got best benefits at best level through e-banking banking service than ordinary banking. Abenet Yohannes (2010) in his study of key factors that determine adoption of internet banking in Ethiopia 85 percent the sample respondents of them do agree that internet banking enables them to manage their account better than the ordinary banking, occupation has an impact on the adoption of internet banking, demographic factors have a relationship with the adoption of internet banking and education levels are regarded as an influential factor in consumers' use of internet banking services with high education levels being particularly significant. Empirical evidence implies that customer' patronage for and reaction to a particular product depend on their level of understanding of what the product can do and what they stand to benefit there from (Balachandher, 2001). The researcher here wants to investigate the impact of e-banking on customer satisfaction e-banking that have been recommended by other researchers for future study, to explain the problem listed by other researchers in the particularly study area, to know customer view about what they feel about over all activities of bank account movement control.

The problem here is: are customers really enjoying these services? Related to this problem, empirical evidence implies that customers' patronage for and reaction to a particular product depend on their level of understanding of what the product can do and what they stand to benefit there from. In this connection, it is relevant to find out the perception of e-banking by customers.

1.5 Research Questions

1. How do customers of Bank Mandiri Setiabudi Branch perceive e-banking?
2. How does customer satisfaction perceive by customers of Bank Mandiri Setiabudi Branch?
3. How do accessibility, convenience, privacy, security, design, content, and fee and charge simultaneously have a significant impact to the customer satisfaction?
4. How do accessibility, convenience, privacy, security, design, content, and fee and charge partially have a significant impact to the customer satisfaction?
5. How many percent does e-banking influence customer's satisfaction of Bank Mandiri Setiabudi Branch customers?

1.6 Research Objectives

1. Evaluate how customers of Bank Mandiri Setiabudi Branch perceive e-banking.
2. Evaluate how customer satisfaction perceived by customers of Bank Mandiri Setiabudi Branch does.
3. Evaluate if accessibility, convenience, privacy, security, design, content, speed and fee and charge partially have a significant impact to the customer satisfaction.
4. Evaluate if accessibility, convenience, privacy, security, design, content, speed and fee and charge simultaneously have a significant impact to the customer satisfaction.
5. Evaluate how many percent the e-banking influence the customer's satisfaction of Bank Mandiri Setiabudi Branch customers.

1.7 Research Purposes

1.7.1 Theoretical Aspect

1. Through this research will be able to apply the experience and knowledge based on science or theory that has been acquired during the course and during the study so that it can add an insight.
2. This study is useful as a reference for further research in studies as the Impact of Electronic Banking on Customer's Satisfaction.

1.7.2 Practical Aspect

1. Through this research, the authors hope to determine the impact of e-banking of Bank Mandiri Setiabudi Branch on customer's satisfaction.
2. The results of this study are expected to contribute ideas that can be helpful and also provide information to others who want to know the issue about the impact of e-banking on customer's satisfaction.

1.8 Writing Structure

The writing structure is arranged to provide a general overview about research performed with the following structure are:

CHAPTER I INTRODUCTION

This chapter contains a description of the company overview, research background, problem statement, research questions, research objectives, research purposes, and writing structure.

CHAPTER II LITERATURE STUDY AND SCOPE OF RESEARCH

This chapter contains a general description of the theories related to research and problem solving support. The Theories used in this research are e-banking and customer satisfaction.

CHAPTER III RESEARCH METHODOLOGY

This chapter contains a type of research used, operational variable, and the scale of measurement, collection data methods, sampling techniques, and data analysis techniques.

CHAPTER IV RESEARCH RESULTS AND ANALYSIS OVERVIEW

This chapter will explain about how the collection of questionnaires that have been deployed, processing using predetermined method, and analysis of the data process that has been obtained.

CHAPTER V CONCLUSION AND SUGGESTION

The final chapter describes the conclusions derived of all the data processing and analysis that will be used as a guideline practical for the company and recommendation for further research in this field.