

# **Impact of Internet Banking on Customer Retention**

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## **Abstract**

Since the birth of the internet, the banking sector operations have transformed considerably during the last three decades, and many banks provide these facilities as a strategic tool to attract customers. The importance of internet banking services for the banking industry has become a booming factor for the economy of Sri Lanka. Internet banking has become a very popular form of transaction among people because of its empowering features. With the rapid growth of internet usage, most of the commercial banks in Sri Lanka provide internet banking facilities to attract customers but, customer retention associated with service quality has not yet improved. The purpose of this study was to investigate the impact of internet banking on customer retention. On the other hand, the impact of internet banking on customer retention studies is rare at the local level. To fulfil the research gap, an empirical survey was done using the purposive sampling technique. An online structured questionnaire was distributed among banking customers covering five selected banks in Polonnaruwa district and 150 responded, which was analysed using SPSS software. Perceived trust, customer satisfaction, and service quality were selected as the factors to measure internet banking on customer retention. The hypotheses were tested using the Pearson correlation and regression analysis. However, the study revealed that perceived trust and service quality do not play an important role in internet banking on customer retention. This clearly shows that bankers should provide internet banking users with facilitation and their high satisfaction in order to maintain a long-term relationship with the internet banking service. Valuable suggestions, recommendations, and guidelines for future researches are mentioned concisely.

*Keywords:* Commercial banks, customer retention, internet banking services