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Determinants of Customers Satisfaction with Internet Banking Services

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Abstract

Customers' satisfaction with internet banking in the Nigerian context has been an issue of considerable debate. This study attempts to identify factors that determine customers' satisfaction with internet banking within the Nigerian banking context. As the transition from conventional banking practices to internet banking intensifies, there is the general need to modify the basis of competitive advantage. The major instrument for the data collection was a questionnaire that was designed on a 5 point likert scale. Through this survey, the study identified significant factors that would lead to customer satisfaction. Based on this, we recommended that more emphasis should be placed on targeting corporate and individual customers on improved service technology through participation, seminars and symposium on the adoption of internet banking technologies as well as creating the desired satisfaction among the different customers.

Keywords: Internet Banking, Customer Satisfaction, Nigerian Context.

Introduction:

The past two decades have witnessed a significant shift in banking practice and operation towards internet banking. Qureshi et al (2008) observed this shift and noted that many banks have shifted from the traditional arm chair banking to on line banking system, where customers can use self service channels such as automated teller machines (ATM) and internet to satisfy their financial needs. The main reason for this dramatic shift has been its perceived usefulness in terms of ease of transaction, security and privacy provided by online banking. But unfortunately, despite the importance attached or attributed to on- line banking in a number of ways, there seems to be fewer studies about internet banking especially in the Nigerian context.

Worse still, there has been a low adoption level among consumers and its usage has not really brought any significant change in business relationship between the banks and their customers. Existing literature on internet banking in Nigeria indicates that despite its growing use and adoption by many banks attempting to be technologically driven, no significant effort has been made to understand whether the customers whom the technology are meant are satisfied or not (Katri, 2003; Gao and Owolabi, 2008) and / or what factor(s) determine their satisfaction.

Moreover, although some banks have attempted implementing full internet banking services, its adoption by consumers has been quite slow, perhaps either because consumers are not aware of such services or are reluctant adopting them because of some seeming problems associated with online banking, eg, level of computer literacy. Wungwanitehakom (2002) remarked that if banks are to reap the benefit of internet banking vis – a – vis customers satisfaction with such service, then they must identify how the service is currently being perceived by potential adopters and the characteristics of consumers who adopt it and determine whether there is demand for such services, as well as the factors affecting it. It is against this background that this study attempts to investigate those factors that determine customers satisfaction with internet banking operations in Uyo metropolis.

Research questions:

This study sought answers to these research Questions:

(a) What are the socio – demographic characteristics of consumers' adopting internet banking?

(b) What are the factors affecting customers' satisfaction with internet banking in Uyo metropolis?

Research Objectives:

The main objective of this study is to examine the level of customers' satisfaction with internet banking services in Uyo metropolis. Other specific objectives include:

(i) To determine the socio – demographic characteristics of internet banking customers in Uyo metropolis.

(ii) To Identity factors affecting consumers' satisfaction with internet banking.

(iii) Suggest way(s) by which customers' satisfaction with internet banking can be maximized for operational efficiency.

Conceptual framework

a) Internet Banking:

Internet banking has been described by various authors in various ways, but popular among the various definitions is the one developed by Arunachalam and Sivasubramanian (2007). These authors described internet banking as a banking process where a customer can access his or her bank account via the internet using personal computer, mobile phone or Web browser. Furthermore, Ongkasuwan and Tantichaltonon, (2002) defined internet banking services as banking practice that allows customers to access and perform financial transactions on their bank accounts from their Web – enabled computer internet connectivity with bank Web sites any time they wish. Thus, internet banking allows customers to perform such transactions as transfer and payments, access of balance, viewing of statements of accounts; viewing of accounts details, customization print, printing of bank statements etc.

Khan (2007) in his submissions observed that internet banking consists of such systems that enable customers, (corporate and individual) to access their accounts, transact business and obtain information concerning financial products and services through internet connectivity. While Kim et al (2006) defined internet banking as the process whereby the customer is able to access, control and use his or her account over the internet. Accordingly, they described internet banking as the act of conducting financial intermediation on the internet.

b) The concept of consumer satisfaction:

Customer satisfaction is a measure of how products or services meet or surpassed customer expectations. In a competitive market like the banking industry, it consists of various strategies aimed at keeping, meeting or exceeding customers' expectations. Saha and Zhao (2005) see customers' satisfaction as a collection of outcome of perception, evaluation and psychological reactions to the consumption experience with a product / service. In other words, it is a result of a cognitive and affective evaluation where some consumption standard is compared to the actually perceived performance. Thus, if the performance perceived is less than expected, customers will be dissatisfied, and where the perceived performance exceeds expectations, customers will be satisfied and this would lead to positive behaviours or outcome (Saha and Zhao, 2005; Yau, 2007).

A satisfied customer tend to be loyal (Timothy et-al, 2007), takes less time, are less sensitive to prices (Gan et-al, 2006) and pay less attention to competitors advertising (Stum and Thiry, 1991). Umorok (2009) in his study noted that satisfied customers would not only continue their patronage, but would keep on referring prospect to the firm and that such continuous patronage is likely to lower the retention elasticity of the firm.

Therefore, understanding the level of customer satisfaction is important to the bank because satisfaction in consumer contexts amounts to beliefs and thoughts about the outcomes of purchasing.

Satisfaction is also connected with emotions that accompany purchase outcomes and related events. Price, Arnould and Zinkhan (2002) caps it all by defining satisfactions as a judgment of pleasurable levels of consumption related fulfillment, including levels of under fulfillment or over-fulfillment. Accordingly, they draw some analogy based on this definition, namely:

(i) That consumer makes satisfaction judgment with respect to any or all of the aspects or stages of product and service experience.

(ii) That satisfaction also focuses on fulfillment. This suggests that consumers may feel fulfilled or satisfied with the removal of a negative state, or may feel over fulfillment and satisfaction with a product or service experience that provides unexpected pleasure or experience satisfaction when a product or service gives greater pleasure than anticipated in a given situation even though it does not exactly fill them up.

(iii) That satisfaction is an internal state suggesting that accounts of satisfaction must highlight the meanings that operate in the customers' field of awareness.

Internet Banking and Customer Satisfaction

Numerous studies support the idea that there exist a link between online banking and customer satisfaction (Saha and Zhao, 2005; Casalo et-al, 2008). Studies such as; Raman et-al, (2008), Michael, (2007) produced hard data qualifying these relationship. Both studies emphasized a direct relationship between internet banking and consumer satisfaction.

Boateng and Molla (2006) maintained that constraints related to customer location, the need to maintain customer satisfaction and the banks capabilities in maintaining software all affect the decision to enter electronic banking services and thus affecting the level of satisfaction. When customers are satisfied they are bound to continue their patronage, thereby growing the relationship which leads to continuous loyalty. Zeithaml et al (1996) observed that loyalty and commitment or retention is critical indices of customer satisfaction. Accordingly, Casalo et-al (2008) contends that higher level of Website usability can lead to higher levels of consumers' affective commitment to the Website as well as a direct and significant relationship between satisfaction in previous interactions and the consumers' commitment to a financial service Website.

Tomark and Ponsonnealt (2001) in their studies found that electronic banking usage had a considerable effect on consumer loyalty among the electronic banking users; while it had a negative effect on non-users. They concluded that convenient, ease and fast banking services is associated with the human and technology based service delivery process. Al-hawar and Ward (2005) also indicated that internet banking is positively related to customer satisfaction and retention. Thus, customer retention according to Power and Associates (2009) is defined as the degree to which a customer exhibits repeat purchasing and price tolerance behaviour to a service provider, and possesses a positive attitudinal and cognitive disposition.

The Model

On the basis of extant literature, a model of customer satisfaction and its determinants on internet banking is proposed in figure 1 below:

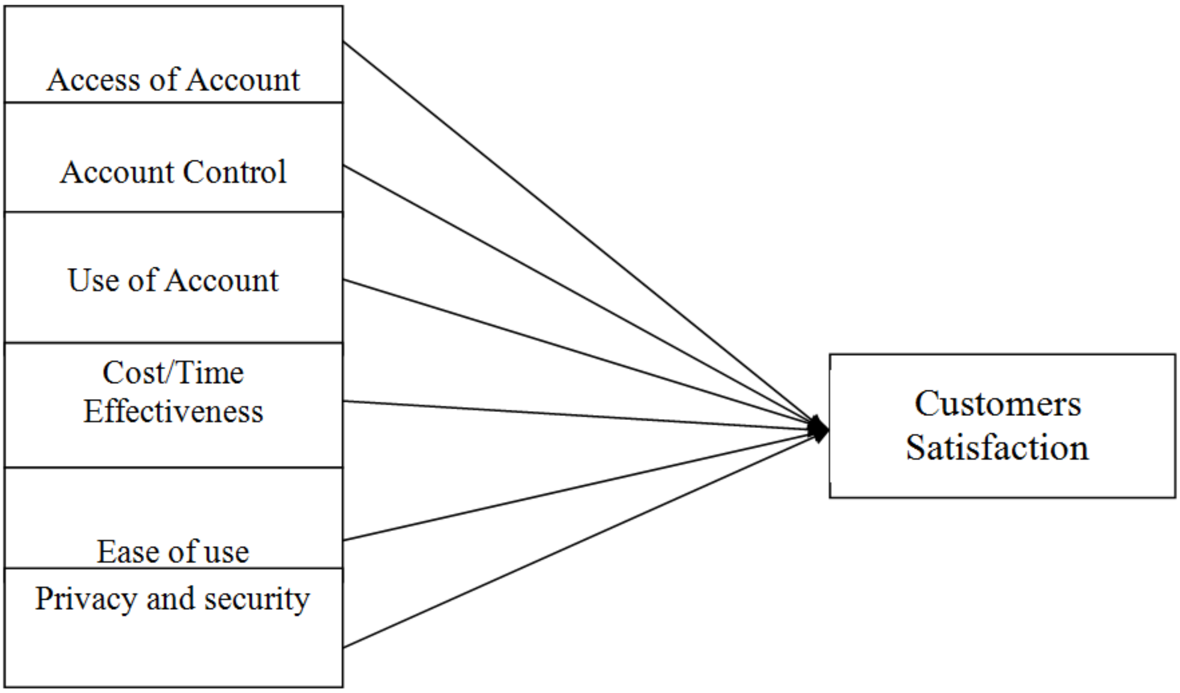

Fig 1: Research model for determining customer satisfaction with internet banking.

Using the above model, customer satisfaction is the dependent variable, while account access, account use, privacy and security, account control, cost/time effectiveness and ease of use are the independent variables.

Methodology

The study adopted survey design to identify the determinants of customers' satisfaction with this very important aspect of the banking service. The universe in this study is defined as the entire population of customers that adopt internet banking service in Uyo metropolis. Hence, having a definite sample was not very feasible. Therefore, we adopted convenience sampling in order to achieve the survey purpose. The survey was carried out in different days, using internet banking customers from different banks within the metropolis Uyo metropolis is significant for two major reason; first it is the state capital of Akwa Ibom State and second, it represent the largest cosmopolitan city where business activities are ever increasing. There are 15 banks in Uyo metropolis and a team of graduate students were sent to visit each of the banks on different days during official hours. A total of 40 internet customers were identified through exploratory research. The research instrument was the questionnaire developed on the basis of existing literature. The preliminary surveys helped in generating general variables that affect customers' satisfaction with internet banking.

These variables were supported with relevant literature review. The questionnaire consisted of fifteen questions to cover such variables as, access of account, account control, use of account, cost and time effectiveness, ease of use, privacy and security of account etc. A five point Likert scale ranging from least satisfied to most satisfied was used to measure satisfaction level. All responses ranged from a scale of 1 being least satisfied to 5 being the highest. The study addressed content validity through the review of extant literature and expert opinions, while internal consistency was measured using Cronbach's alpha coefficient. Thus, the reliability coefficient for all the variables was not below 0.70, which according to Zinbarg et al (2006), a reliability coefficient of 0.60 is reliable enough to collect the right data for any study.

Therefore, the implicit equation form for the study is expressed as:

$Y = f(X_1, X_2, X_3, X_4, X_5, X_6, e)$

Where Y = Customer satisfaction

X_1 = Access of account

X_2 = Account control

X_3 = Account use

X_4 = Cost / time effectiveness

X_5 = Ease of use

X_6 = Privacy / Security

e = Error term

Results and Discussion

The socio demographic characteristics of internet bank customers investigated in the study include; age, sex, marital status, education and location. This is presented in table 1 below:

Table 1: Socio Economic and demographic characteristics of respondents in the study area

Variables	Frequency	Percentage
Age		
Less than 30	19	47. 50
31 – 40	12	30. 00
41 and above	9	22. 50
Total	40	100
Sex		
Male	12	30. 00
Female	28	70. 00
Total	40	100.00
Marital status		
Married	5	12. 50
Single	32	80.00
Separated / Divorced	3	7.50
Total	40	100
Location		
Urban	30	75.00
Semi-urban	8	20.00
Rural	2	5.00
Total	40	100
Education		
Primary	5	12.50
Secondary	3	7.50
Tertiary	32	80.00
Total	40	100

Source: Field Survey 2011.

From the table above, social-demographic characteristics of respondents indicate that majority of the respondents who used internet banking is less than 30 years of age representing 47.50 percent. 28 representing 70 percent were females, 32 respondents were single representing 80 percent, while 30 representing 75 percent lived in the urban areas. In terms of educational attainment, a great majority of them, that is 32 respondents representing 80 percent have tertiary education, while only 20 percent have between primary and secondary education. These findings indicate that internet banking users are mostly young people, mostly females and are mostly single who lived mostly in the urban centres, with at least reasonable level of educational attainment.

Factors Affecting Customers Satisfaction with Internet Banking

In order to determine the factors affecting customers satisfaction with internet banking, multiple regression analysis was done and the linear function was chosen. The lead question is as follows:

$74.1654 = 05X_1 \quad + 04x_2 + 11.044x_3 – 781x_4$

(1.007) (- 5.777) (39.386) (2.379) (-5.695

$+ 4.110x_5 + 04x_6$

(0.779) (1.589)

$R^2 = 0.982$

DW = 2.164

The regression results reveal that the coefficient of multiple determination (R^2) was.982 or 98 percent, indicating that the independent variables (X_1 – X6) jointly influenced or explained 98.2 percent of the variation in customer satisfaction (Y). Thus, the Durbin Watson (DW) statistics show a value of 2.164 which is sufficiently close to (2). This therefore did not suggest the likelihood of multi-co linearity, as the rule is that a DW of close to 2 and above is an acceptable indication of the absence of multi co linearity.

Discussion of Findings

The results provide statistical evidence to support identified determinants of customer satisfaction. The findings of this study do agree with some of the factors revealed in the findings of Gao and Owolabi (2008) who identified such other factors as level of awareness, accessibility to computers and the internet, convenience, privacy and cost as some of the factors affecting e – banking adoption. Chiemoke et-al (2006) also highlighted some of these factors which they described as inhibitors to the adoption of internet banking and pointed security and inadequate operational facilities including power to affect internet banking. These findings also agree with the studies of Al- Somali, et al (2008); Erickson et-al (2005 ;) Kim et-al, (2006 ;) Katri, (2003 ;) Gan et-al (2006), Casalo et-al 2008 and Michael (2007), whom in their respective studies argued that consumers adoption and subsequent satisfaction with internet banking is a function of four factors, which they identified as; awareness, interest, evaluation and usage.

Conclusion and Recommendations

The results of this research indicated that account access, account control, account use or transaction, ease of use, privacy and security are important determinants of customers' satisfaction with internet banking. However, cost / time effectiveness with negative coefficients suggest that as cost and time customers spent on internet banking increases, customers' satisfaction will decrease. Therefore, this paper suggests certain policy implications for the banking industry. Thus, the proposed model can be of help in planning efforts towards increasing consumers' satisfaction. By improving these factors, bank management may increase adoption and satisfaction among internet bank users. These also imply initiating appropriate actions to enhance basic facilities and improve privacy and security on internet banking. This in essence will improve business transaction and thus increase overall customer satisfaction.

Although the use of IT is expected to lead to a favorable impact on bank performance, the banks need performance measures which are related to customers to improve their performance and minimize waste of productive customers. The way forward therefore, is for the banks to increase awareness about the use of this technological tool to help them capture relevant and timely information for decision making. Managing e-banking in Nigeria demands analytical ability and attention to details, for the satisfactory performance of this system, these determinants should be mixed in their right prescription to get high quality internet banking and incorporate newer ideas. There is need to make concerted efforts towards operational efficiency of internet banking.

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