

An Assessment of Customers Readiness, Loyalty and Satisfaction on E - Banking Services: A Nigerian Perspective

Esther Enoch Yusuf¹ Hyellaki Javan² Titus Yakubu Jacob²

1.Department of Banking and Finance, School of Business and Management Technology, Federal Polytechnic Mubi, PMB 35, Adamawa State, Nigeria

2.Department of Accounting, School of Business and Management Technology, Federal Polytechnic Mubi, PMB 35, Adamawa State, Nigeria

Abstract

Despite the importance of electronic banking in many financial institutions, fewer studies have focused on customers' satisfaction and customers readiness especially in an African setting. With the recent development in the information and technology world many customers have embraced e-banking. In this study, we measured the effect of customers' readiness, loyalty and satisfaction on electronic banking services. We majorly used questionnaire that was designed on a 5-point scale to be able to collect good quantitative data. This study established that there is a significantly positive relationship between electronic banking readiness and customer's satisfaction. The study recommended that more emphasis and efforts be laid on targeting individual clients, a more persuasive promotion of the e-banking should be conducted more regularly and banks should ensure nothing interrupts the flow of service delivery. In addition, electronic banking service providers ought to look out for indicators of innovative ways of creating awareness about the service through participation in trade organizations, exhibitions as well as adoption of new technologies on internet banking.

Keywords: Internet banking, Information Technology, electronic banking adoption, end user satisfaction, fulfillment

1. Introduction

The development in the information technology sector and also the development in the banking industry has drastically increased communication and transactions between banks and customers. In the 1990's electronic banking technology was under-utilized as business organizations used it only to market their products and services (Wang et al, 2003), however, the ubiquitous nature of the internet now has caused Nigerian banks to conduct daily banking activities from anywhere easily and conveniently over the internet and not only market product or services.

Presently, many Nigerian commercial banks have implemented full electronic banking services however; its adoption by end-users has been very slow even among the elites (Yusuf & Bala, 2015). This could be as results of unawareness or cyberphobia.

In an investigation of electronic banking adoption and user behaviour in Hong Kong, Chan and Lu (2004) found that subjective norm, computer self-efficacy and perceived ease of use indirectly played significant roles in influencing the intention to adopt electronic banking. In the same vein, Yusuf & Bala (2015) conducted a research on service quality, reliability and end user satisfaction on electronic banking in Nigeria, in their research work, perceived ease of use, service availability and reliability positively influences the adoption of electronic banking in Nigeria.

Despite the growth of internet technology acceptance, some Nigerian financial institutes are yet to adopt internet technology (Yusuf, 2015). The reluctance of internet technology adoption by banks suggests that managers perceive the costs of internet technology adoption to outweigh the benefits. This can potentially be explained by fear of the consequences of failure in the case of high projects (Butterfiled & Pendegrift, 2001; Cule *et al.*, 2000) as well as perceived customers dissatisfaction.

Growth of electronic banking in a country depends on many factors, such as success of internet access, new online banking features, household growth of internet usage, legal and regulatory framework. E-banking can offer speedier, quicker and dependable services to the customers for which they may be relatively satisfied than that of manual system of banking. E banking system not only generates latest viable return, it can get its better dealings with customers. The rationale behind this research is to recognize and measure the effect of e-banking readiness on customer's satisfaction, loyalty in Nigeria.

Different forms of services in electronic banking

Forms of banking	Description
PC Banking	The customer installs banking software on his or her personal computer. The customer has access to his her account with that specific software.
Internet banking	Customers can access his or her bank account via the internet using a PC or mobile phone and web browsers.
TV- based banking	The use of satellite or cable to deliver account information to the TV screens of customers.
Telephone based banking	Customers can access their bank and account via SMS and as well as ordinary phone using services of interactive voice responses (IVR).

Source: Daniel (1999).

1.1 Electronic banking in Nigeria

The competition train in the banking industry has shifted to technology and intensive delivery of services which has created paradigm shift in banking services in Nigeria. Banks like Zenith Bank, Guarantee Trust bank, First Bank of Nig. Plc, UBA etc. used technology as a competitive weapon and successfully became among the largest banks in Nigeria.

Several new products were introduced into the banking services; internet banking, Automated Teller Machines (ATM), phone banking/cell banking, debit cards, credit cards, etc. An integrated banking solution was also introduced in most banks. A central server replaced all branch level and controlling office level servers. Every transaction that is taking place across any service point like a branch or ATM is recorded on the server. This new operational method helps customers to conduct normal banking transactions from any branch without the account being domiciled in that branch.

Automated Teller machines are equipped to facilitate several transactions, customers can withdraw from ATM of a bank that they don't have an account to from anywhere in the world. Other roles like account transfers, payment of bills, balance enquiry are as well possible through ATM. Over 25,000 ATM's are currently in use in the country connected to inter switch Network (Asikhia, 2011).

1.2 Challenges with Nigerian banking industries

The recent development in the banking industry shows that there is competition and aggressive drive to satisfy customers. There have been complains by customers on the poor quality of counter services which cause delay in transaction. Delay in transaction in bank caused many customers to resort to keeping large sums of money in their houses or in their business premises, which deprived the banking system of such funds.

In addition, one of the problems faced by customers when it comes to banking is issue of the banking hours being too rigid and not flexible. Usually, most banks operating hours are from Mondays to Fridays –begins operation from 8:00am to 4:00pm. However, due to Security challenges caused by “boko haram” in the North Eastern part of the country, banking hours were reduced to 9:00am to 2:00pm and this is not sufficient for customers.

Besides the banking hours, customers are also faced with challenges of long queues and sheer waste of time while waiting.

There are generally several other major challenges and issues facing e-banking industries, Feinman *et al.*, 1999, stated that customers are certainly concerned about their security on the internet, customers are scared of providing their account details on the internet as this could be abused and used for other fraudulent activities such as phishing (Yusuf *et al.*, 2013). Another challenges facing e-banking industry is the quality of delivery service and delivery reliability which cause many e-business failures in the early internet era.

1.3 Aim and Objectives

The aim of this study is to examine the effect of electronic banking on customers' satisfaction and loyalty in Nigerian Banks. The specific objectives include:

- i. To investigate the level of electronic banking adoption by customers in the banking sector.
- ii. To establish the relationship between customers satisfaction and customers loyalty.

1.4 Research Questions

The Research questions which this research will try to answers are given below:

- i. What are the effects of electronic banking on customers satisfaction in the banking industry?
- ii. What are the major factors determining the adoption of electronic banking in Nigeria?

1.5 Research Hypothesis

Ho1: The overall customer's satisfaction with electronic banking does not influences loyalty positively.

Ho2: The perceived readiness and quality of electronic banking does not positively influence the overall

satisfaction of customers.

2.1 Research Methodology

A Sample of Nigerian bank was randomly selected for this study. A questionnaire was designed and distributed to the target respondent randomly. The targeted respondents are the staff and customers of the selected Banks. In order to produce a realistic outcome, the collation of data was distributed over a large population. Thus, the survey questionnaires was designed for a heterogeneous population, where targeted respondents come from the general open public (from different gender, races, age groups, marital status, educational background, designations and professionals). Owing to the fact that different levels of the society have different expectations and needs, therefore, the idea of choosing respondents from different backgrounds will most certainly generate a more reliable outcome towards customers satisfaction.

2.2 Research Design

Descriptive method of research was adopted for this research. The choice of the method is to provide precise and accurate data for the problem stated.

For maximum result and input from both customers and staff of the selected banks, questionnaire was used. The questionnaire was divided into three parts, the first part of the questionnaire considered the respondent demographic factors. The questions were design with multiple choice selection for convenience. The second part of the questionnaire required the respondent to rate the satisfaction level of the bank they have chosen using a Likert scale ranging “Strongly Agree”, “Agree”, “No comment”, “Disagree”, and “Strongly disagree”. The same concept was also adopted for the Final part of the questionnaire.

The Conceptual framework below will be use to examine the factors influencing customers’ satisfaction of electronic banking services. The framework had electronic banking service as an independent variable and customer’s satisfaction and loyalty as a dependent variable and adoption as an intervening variable.

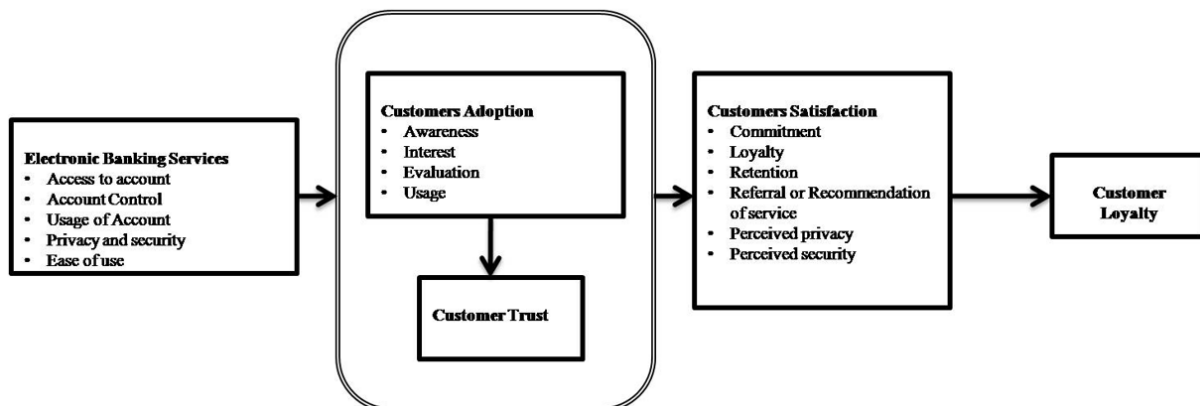


Figure 1. Conceptual framework

2.3 Population of the study

The population of this study is sixty (60), which comprises of both the Staff and Customers of Zenith Banks of Nigeria Plc. The targeted respondent comes from the general public and staff of Zenith Bank Plc.

Random sampling technique was employed. Sixty questionnaires were administered; only fifty-three were filled and returned. Both primary and secondary sources of data were used.

2.4 Method of data analysis

Descriptive statistical techniques such as frequency table, simple percentage were used to describe the observations. Chi square (χ^2) test was used to test the hypothesis at the appropriate level of significance. All data collected were fed into SPSS (Statistical Package for Social Sciences) for data analysis and presentation.

3.1 Data Presentation and Analysis

The presentation will be divided into two parts, first, the analysis of the responses on the questionnaire and then the test of hypothesis.

3.2 Demographic characteristics of respondents

Table 1. Occupation

	Frequency	Percentage (%)
Civil Servant	25	47.2
Student	11	20.8
Banker	9	17.0
Business men	6	11.3
Others	2	3.8
Total	53	100.0

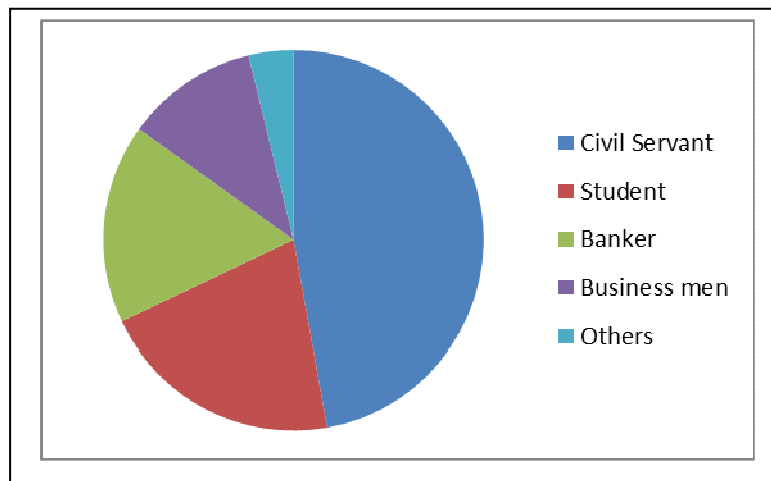


Figure 2. Demographic characteristics - Occupation

47.2% of the respondent were civil servant, 20.8% were student of different tertiary institutions, 17.0% were workers from the same bank, 11.3% of them are business men and just 3.8% are involve in other occupations. In the presentation, majority of the response came from the elite.

Table 2: Analysis of respondents

The Vision of electronic banking activities is well known and understood by me		
Strongly Agreed	13	24.5
Agreed	37	69.8
No comment	2	3.8
Disagree	1	1.9
Strongly Disagree	0	0.0
Total	53	100
I Prefer electronic banking to manual banking		
Strongly Agreed	42	79.2
Agreed	8	15.1
No comment	0	0
Disagree	3	5.7
Strongly Disagree	0	0
Total	53	100
I find it easier to use ATM, Tele-banking, internet banking or any other electronic banking tools		
Strongly Agreed	9	17.0
Agreed	39	73.6
No comment	0	0.0
Disagree	4	7.5
Strongly Disagree	1	1.9
Total	53	100

ATM, Tele-banking, internet banking etc in your bank are reliable		
Strongly Agreed	1	1.9
Agreed	28	52.8
No comment	5	9.4
Disagree	15	28.3
Strongly Disagree	4	7.5
Total	53	100
I am willing to pay higher charges on electronic banking service		
Strongly Agreed	1	1.9
Agreed	30	56.6
No comment	1	1.9
Disagree	19	35.8
Strongly Disagree	2	3.8
Total	53	100
I patronize the bank because of the e-banking services they rendered		
Strongly Agreed	2	3.8
Agreed	33	62.3
No comment	3	5.7
Disagree	12	22.6
Strongly Disagree	3	5.7
Total	53	100

I can recommend or refer a friend to the bank because of the quality of electronic banking they provide		
Strongly Agreed	12	22.6
Agreed	26	49.1
No comment	7	13.2
Disagree	4	7.5
Strongly Disagree	4	7.5
Total	53	100
Electronic banking should be scrapped		
Strongly Agreed	1	1.9
Agreed	1	1.9
No comment	4	7.5
Disagree	12	22.6
Strongly Disagree	35	66.0
Total	53	100

Bank Staff views about the Organization Competence		
The management of your bank are interested in electronic banking		
Strongly Agreed	1	11.1
Agreed	7	77.8
No comment	1	11.1
Disagree	0	0.0
Strongly Disagree	0	0.0
Total	9	100
The bank has wide connectivity to the internet		
Strongly Agreed	6	66.7
Agreed	0	0.0
No comment	2	22.2
Disagree	1	11.1
Strongly Disagree	0	0.0
Total	9	100
The vision of electronic banking is widely communicated and understood throughout the organization		
Strongly Agreed	3	33.3
Agreed	3	33.3
No comment	1	11.1
Disagree	1	11.1
Strongly Disagree	1	11.1
Total	9	100

24.5% of the respondents strongly agreed that the vision of electronic banking is well known and understood by them, 37 respondents representing 69.8% equally agreed. While 3.8%, 1.9% of the respondent says nothing and disagrees respectively. Majority of the respondents which represent 94.3% accept knowing the vision of electronic banking and their activities.

Generally, 94.3% of the respondents prefer using electronic banking over manual which had only 5.7%

of the respondents. In the same vein, majority of the respondents acknowledge to the following (i) the easiness of using electronic banking tools(ATM, Tele-banking, internet banking etc.) (ii) ATM, Tele banking, internet banking are reliable (iii) Patronize the bank because of the banking services they rendered (iv) Electronic banking should not be scrapped but adopted.

3.3 Hypotheses Testing

The test of hypothesis will done using the chi square test (χ^2), which has the formula below:

$$\chi^2 = \sum_{i=0}^n \frac{(O - E)^2}{E}$$

Decision criteria: if χ^2 calculated is $<$ χ^2 tabulated value, reject the alternative hypotheses and accept the null hypotheses.

Hypothesis I

Ho1: The overall customer's satisfaction with electronic banking does not influences loyalty positively.

Are you willing to pay higher charges for electronic banking services?				
	<i>Observed</i>	<i>Expected</i>	$(\text{Observed} - \text{Expected})^2$	$\frac{(\text{Observed} - \text{Expected})^2}{\text{Expected}}$
Strongly agree	1	10.60	92.69	8.69
Agree	30	10.60	376.36	35.51
No comment	1	10.60	92.16	8.69
Disagree	19	10.60	70.56	6.66
Strongly Disagree	2	10.60	73.96	6.98
$\chi^2 =$				66.53
degree of freedom				4

χ^2 tabulated at 0.1 significance level with degree of freedom 4 is 7.78.

Decision: since χ^2 calculated (66.53) $>$ χ^2 tabulated (7.78), we reject the null hypothesis and accept the alternative hypothesis. Therefore, the overall customer's satisfaction with electronic banking influences loyalty positively.

I patronize the bank because of the e-banking services rendered				
	<i>Observed</i>	<i>Expected</i>	$(\text{Observed} - \text{Expected})^2$	$\frac{(\text{Observed} - \text{Expected})^2}{\text{Expected}}$
Strongly agree	2	10.60	73.96	6.98
Agree	33	10.60	501.76	47.34
No comment	3	10.60	57.76	5.45
Disagree	12	10.60	1.96	0.18
Strongly Disagree	3	10.60	57.76	5.45
$\chi^2 =$				65.39
degree of freedom				4

χ^2 tabulated at 0.1 significance level with degree of freedom 4 is 7.78.

Decision: since χ^2 calculated (65.39) $>$ χ^2 tabulated (7.78), we reject the null hypothesis and accept the alternative hypothesis. Therefore, the perceived quality of electronic bank service positively influences the overall satisfaction of customers.

The following findings were made:

- i. There is a significant relationship between electronic banking adoption and customer satisfaction.
- ii. Electronic banking activities are known and understood by majority of the respondents while a few respondents represented by 5.7% disagree to that.
- iii. The quality of services provided influences the overall satisfaction of customers. Satisfaction cannot be achieved without provision of services for quick access to account and awareness, interest and adoption of such services by customers. Provision of electronic banking services and adoption of such provisions will enhance quick satisfaction and patronage to such bank. More than half of the respondent representing 66.1% agreed patronizing the bank on the basis of the electronic services provided. This is an indication of customers of satisfaction.
 The result in Table 2 shows that the combination of electronic services provided and customers' adoption which comprises of (awareness, interest, usage) contribute to customer satisfaction.
- iv. The research findings also reveal that once customers satisfaction is achieved, loyalty, commitment, referral or recommendation of service will equally be very easy to achieve. 58.5% of the respondent

totally agreed to paying higher charges on electronic services provided the services are reliable. 77.7% of the respondents equally agreed recommending or referring a friend to their bank because of the quality of services provided.

- v. The findings also reveals that larger population of the respondents which is represented by 88.9% and are entirely staff of the bank agreed that the bank has wide bandwidth for internet connectivity and transactions.

4.1 Conclusion

The banking industry has been a leader in the e-business world in recent years. While Commercial have been leading the way in the recent application and development of e-banking, many small or micro finance institute are still trying to catch up in this current trend.

Undoubtedly, no bank can exist without customers. In the philosophical words of Peppers and Rogers “The only value your company will ever create is the value that comes from customers – the ones you have now and the ones you will have in the future”. This is absolutely true. customer value is an asset to the organization. Hence, in order to maintain the customer, the bank needs to ensure that the right and quality electronic services are provided to customers.

A business that caters to their customers needs will inevitably gain the loyalty of their customers, thus resulting in repeat business as well as potential referrals. The feedbacks from the survey is an evidence to customer loyalty, definitely they overall customers’ satisfaction with electronic banking influences loyalty positively.

The following suggestions and recommendations have been made to improve and streamline the banking system:

- i. More awareness and persuasive promotion of the e-banking should be conducted more regularly.
- ii. The quality of web sites and reliability of automated teller machine has a direct and indirect impact on both satisfaction and loyalty. Banks have to redesign their website with a view to enhancing usability and usefulness. Amongst the many factors which account for the perceived quality of a web site, the avoidance of downtimes seems to be extremely important to electronic banks and needs to be taken care of.
- iii. Bank websites should be made more appealing, friendly to customers surfing the net and the main pages should be updated more frequently.
- iv. Banks may need to be proactive to consistently keep their customers interest in a turbulent business environment like Nigeria by ensuring that nothing interrupts the flow of service delivery. Investment should be made in this area to keep abreast of the level of competition in the industry.

References

- Wang, Y.S., Wang, Y. M., Lin, H. H. and Tang, T. I. (2003). Determinants of user acceptance of internet banking: An Empirical Study, *International Journal of service industry Management*, 14(5).
- Cule, P., Schhmidt, R., Lyytinen, K. and Keil, M. (2000). Strategies for Heading off IS Project failure. *Information Systems Managements*, Spring, 65 – 73.
- Yusuf, S. E. (2015). An Empirical Analysis of Security on Nigerian’s internet banking Platform: an end user perspective. *International Journal of Computer Application Technology and Research (IJCATR)*, 4(11), 823- 828. Available: <http://ijcat.com/archives/volume4/issue11/ijcatr04111008.pdf> (October, 2015).
- Chan, S. and Lu, M. (2004). Understanding internet banking adoption and use Behaviour: A Hong Kong Perspective. *Journal of Global Information Management*, 12(3), 21-43.
- Butterfield, J., and Pendegraft, N. (2001). Analysing information systems investments: A Game – Theoretic approach. *Information systems Management*, Summer, 73 – 82.
- Yusuf E. E. and Bala, A. (2015). Empirical Analysis of Service Quality, Reliability and End-User Satisfaction on Electronic Banking in Nigeria. *IOSR Journal of Business and Management (IOSR-JBM)*. 17(10) Ver. II, pp 28-34. Available: <http://iosrjournals.org/iosr-jbm/papers/Vol17-issue10/Version-2/C0171022834.pdf> (October, 2015)
- Daniel, E. (1999). Provision of electronic banking in the UK and Republic of Ireland. *International Journal of Bank Marketing*, 17(2), 72-82.
- Asikhia, O. (2011). Patronage in Nigeria: An Exploratory Study of Gender Difference. *Business Intelligence Journal*. 4(2). Pp.233-252.
- Yusuf, S.E., Adebayo, K.J. and Adetula, E.O. (2013). Mitigating Cyber Identity Fraud using Advanced Multi Anti-Phishing Technique. *International Journal of Advanced Computer Science and Applications (IJACSA)* 4(3), 156 – 164. Available: http://www.thesai.org/Downloads/Volume4No3/Paper_25-Mitigating_Cyber_Identity_Fraud_using_A_dvanced_Multi_Anti_Phishing_Technique.pdf (July, 2015).