

How E-Banking Enhances the Banking Performance? A Case of Pakistani Islamic Banking Sector

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Introduction

In the past ten years many important modifications in the business of consumer financial services are being changing day by day. The main characteristic that has marked the development of the financial system have been improved race in the sector. The banking sector has experienced changes in the competition of the sector, changes in consumers' demand for services has increased, industrial changes are not any more the same, and the barrier to entry in banking sector become minimum (Roig et al., 2006). Islamic E-Banking has the ability just before change the banking attention since it automatically lowers transaction as a significance giving out costs. This study discusses certain of the Troubles upward countries, countenance in the field of realizing the compensation of Islamic E-Banking initiatives (Wang, Cho & Denton, 2017). Most important concerns such at the same time as the 'digital divide' among the stuffed then poor, the uncommon operational environments furthermore secret sector banks, evils of security with verification, management as a significance regulation (Nisture et al., 2003).

The web has been all around utilized for a many new purposes, business instruction, and social relationship international businesses and many more. The web has likewise redesigned the managing an account in Industry around the world. Consequently, the level of consumer loyalty and client dependable to a particular bank has been a significant sympathy toward numerous Pakistani markets (Zia, Sindhu & Hashmi, 2017). In the Past, customers used to challenge long lines when they go to banks waiting where they needed to spend a lot of their working time sitting tight for their turn (Abd El Aziz, 2012). Islamic E-Banking is for the most part accepted to influence productivity and execution definitely and in such an approach to big businesses related with innovation foundation.

In any case, there is gathered proof that expenses related with e-saving money, which incorporate foundation, proceeding with upkeep and representative preparing, are higher than the income from electronic managements (Delgado et al., 2007). The necessity for computerization, complements an expansion in modification, information volumes, unpredictability and cost benefits in the scope of items and administrations. It is genuinely expressed that data innovation (IT) for regular banks is more created than that for banks. The popularity for innovation based items and administrations attractions rivalry, and along these lines takes skill and funds to the regular banks' items and administrations. The Islamic keeping money industry still at its earliest stages and dislikes huge interest for its repeated or changed items and administrations, battles to secure effectiveness and cost funds practically identical to their regular partners (Sindhu, Hashmi & Haq., 2017)

The expanding number of web managing account clients, the client appropriation of web managing an account has not yet achieved the normal levels. One of the regular fears that have been highlighted about the appropriation of web keeping money is poor administration quality and client disappointment the fundamental obstacle for client expectation to utilize web managing an account administrations is identify with the client trends. Furthermore, clients are attempting to change their tendencies, practices, the way they interface with its web managing an account administrations offer. Customer satisfaction have been identified as a critical variable in construction & maintaining the affiliation with their customer in organize to diminish the evident danger of utilizing internet banking in Pakistani market (Amin, 2016; Sindhu & Waris, 2014).

So far only few studies examined using Islamic E-Banking how significantly affects customer satisfaction and banker acceptance on banking performance in Pakistan. There is a gap which needs to be address. As trust has never failed to be a significant analyzing-business research, propose to include trust in behavioral models to better explain internet banking adoption (Kundu & Datta, 2015). Few studies have investigated business e-trust in banking environment and its impact on internet banking acceptance, and even fewer focused on emergent countries like Australia, India, and Bangladesh. This research aims to address this knowledge gap by identifying significant specific variables that affect the acceptance of Islamic E-Banking services by business users in Pakistan. Identifying such variables that will improve the chances of increasing the acceptance speed of this service by the banks in Pakistan, by deepen information regarding the variables which make easy or stay in business acceptance procedure (Mansour, 2016).

Customer satisfaction, at the moment for a lot of banks the core standard for the appraisal of their relationship with the marketplace and their competitor, a permanent item of their performance system and significant factor for the support of business position, also a very important express to direct operational process. Customer satisfaction is the knowledge if and how bank calculate & achieve a number off the client satisfaction cause-effect relations examine through the study on the subject matter and by absorbed reflection on organisation

and interior processes designed to support the computation and improvement of customer satisfaction (Qadri, Hassan & Sindhu, 2014).

The main consensus of this study is to elaborate the effect of E-banking on banking performance in Islamic banks of Pakistan. In earlier time, many research studies linked with identification & implementation of Islamic E-Banking with the clients conducted (Eriksson *et al.*, 2005). Many scientist have perform the study on what are the perception of customers in the direction of the acceptance of Islamic E-Banking services (Al-Hajri, 2008); yet number of the researchers have also calculated the intensity of customer satisfaction by taking into account the size of Internet banking service quality (Rod *et al.*, 2009). In the context of Pakistan banking sector, simply the determinants related to the acceptance of Internet banking by the clients have been examine only (Raza & Hanif, 2013; Sindhu, 2014). These research papers try to conclude the connection among the usage of internet and its effect with trust and satisfaction to evaluate banking performance.

Literature Review

Internet banking

The administration of internet banks has to spotlight on creation the plan and satisfied of the web page sites more attractively & good-looking to take hold of the interest of present customers, more than that the bank also work to catch the attention customers which are not yet being captured by them and also drag customers from there competitors. The supervision has to take well-organized procedures to enhance the security and safety of internet banking accounts as security is the most important and main concern of the customer, with the intention that customers can sustain lasting interaction with the usage of Islamic E-Banking. E-banks have to supply more consistent reliable services to the customers at mind to make the clients more contented and constructive. The organization should develop more efficient system to resolve the issue of customers quickly. A research questionnaire of 400 respondents were collected from the user of Islamic E-Banking of diverse banks situated in Karachi, Lahore, Islamabad and Faisalabad cities of Pakistan. (Raza *et al.* 2013).

Polatoglu & Ekin (2001) inspect that the approval of online banking services by the customers of Pakistan. The survey has measured the customers of Banks in Pakistan, as their sample size consist of 150 respondents. The variables measured in this study include consistency, convenience, and discount of costs, apparent risk, and safety privacy. The research demonstrate that the customers are more satisfy on trust worthiness, security, isolation, ease of access and perceived risk variables of Islamic E-Banking, as they were enjoying these services without in front of any consistency problems. The clients also tell that they are by means of web banking services because of its ease of access and handiness. More over, the variable of reduction of costs has not been measured as an recognition of Islamic E-Banking practice from the viewpoint of customers of Pakistan. The survey of the study suggest that because the customers are satisfied on all variables of online banking provided should be focused on making improvements in its services with the progression of technology. The management of banks is also required to efficiently deal with the complaint of customers to maintain the up to date customers as well as to pull towards you new customers.

Bank performance

Gaganis and Pasiouras (2013) investigated the interaction between bank profit efficiency and supervision command using nearly 4,000 profitable banks working in almost 80 country larger than the time 2000–2006, by employ the stochastic leading edge model and intermediation come up to. They fulfilled that: (a) effectiveness decrease as the figure of economic sectors that were supervise by the central banks greater than before; and (b) banks working in countries with superior amalgamation of supervisory establishment were less profit well-organized and central bank freedom had a harmful impact on bank revenue effectiveness (Sindhu, Ali & Haq., 2014)

Trust

Trust is define as the motivation of a individual to be exposed to the events of a different individual base on the belief that the trusted individual will execute a particular act important to the trust or irrespective of the talent to examine or manage that other individual (Mayer *et al.*, 1995). Morgan & Hunt (1994) disagree that trust is middle to accepting association advertising. Trust, jointly with obligation, distinguishes creative, efficient, relational relations from those that are uncreative and useless. The importance of trust on the internet has been time after time arguing (Fang *et al.*, 2011). The trust is vital in online operation processes, given the unfriendly nature of the online surroundings (ambiguity), & the incapacity to judge manufactured goods worth prior to purchase (Ba, 2001).

The continued existence of Islamic E-Banking based on the bank “capability to induce customers to internet online, therefore building customer trust is vital to internet banking. Customers” trust on Islamic E-Banking business has some only one of its kinescope: the unfriendly nature of the online atmosphere, the wide use of technology, the intrinsic doubt of using an unlock communications for dealings (Yousafzai *et al.*, 2008). Existing investigate has recognized a quantity of factor most important to customer trust in web banking, egg, apparent trustworthy, apparent security, and apparent privacy (Yousafzai *et al.*, 2009). Trust is energetic and many-sided

concept (Dimitriadis et al., 2012). Trust bring onward as a requirement for support performance (Pavlou, 2003) and the improvement of long-term customer affairs (Doney and Cannon, 1997). The Trust regularly decreases the apparent risk of using a service (Garbarino and Johnson, 1999).

The function of trust may perhaps be even more significant in an internet banking setting, since web do not deal straight with the organization, or its employees (Papadopoulou et al., 2001). A variety of associations have been planned among trust, satisfaction & loyalty in an online circumstance (Reichheld and Scheffer, 2000). In a current study, e.g., Corbitt et al. (2003) propose a strong constructive effect of trust on loyalty to internet firms, but academic basics as well as experiential confirmations are absent (Anderson and Srinivasan, 2003). A frequently use meaning of trust is that of Moorman et al. (1992), who tell that it as the willingness to rely on an replace colleague in whom one has assurance. Internet trust will as a result is defined as the amount of self-assurance client have in web exchanges, or in the internet exchange channel. Electronic interactions are supposed to present several risk to customers (Grabner-Krauter and Kalusha, 2003), trust appear to be mainly significant to create loyalty when the apparent level of danger is far above the ground (Anderson and Srinivasan, 2003).

Purchasing on online is measured dangerous, since customers require direct contact with the association, i.e. from end to end sales personnel or the physical store (Reichheld and Scheffer, 2000), have to offer over responsive information, like credit card numbers, in order to inclusive the deal. The lack of interpersonal communication also suggests that internet trust is mostly cognitive, i.e. based on customers' judgments of the dependability and capability of the trade or the exchange channel, and not sentimental trust found on a bond among persons (McAllister, 1995). There is a be deficient in of experiential studies on trust in web exchanges (Grabner-Krauter and Kalusha, 2003), and mainly on the effect of e-trust on customer actions. Grabner-Krauter and Kalusha (2003) also point to a lack of study on the trust in e-trailers, since many past study have only investigate web site surfing, imaginary purchasing scenario, or Islamic E-Banking. It is supposed to be openly documented that there are diverse types of trust, and a difference needs to be complete among a person's character, or tendency to trust, system-based trust and interpersonal trust (Grabner-Krauter and Kalusha, 2003).

Customer satisfaction

Saleem and Rashid (2011) recommended that the banking system have moved from traditional banking to modern banking (the anticipated banking meaning is Islamic E-Banking). Banks are demanding competitive advantage and customer satisfaction. This objective aims to accept new technologies such as the mobile banking system. As we know that the most frequent use of the mobile phone is communication and the media to interact with each other. Bankers use mobile banking to carry out the banking transaction on the mobile phone. Philipp et al. (2013) suggested that the banking system should focus on the customer experience to improve customer satisfaction. Kaura (2013) states that banks need to focus on service quality to improve their customer satisfaction.

Saleem and Rashid (2011) found customer satisfaction links to customer expectations with the services provided by banks. The administrative factor plays a very important role in the satisfaction of customers who use Internet banking. If the organization is elastic and can change its rules with the moving environment the company can get satisfaction from its client. Banks' employee attitude, skill and elastic style of decision making has an undue influence on the client to gain satisfaction. In other words, we can say that the management factor significantly touch customer satisfaction. More about the technological factor also affect the level of customer satisfaction. If banks adopt composite technologies that are difficult to understand, then the level of customer satisfaction will decrease, or if the employee does not clearly talk to the customer that how to use these technologies and the hoe to operate them.

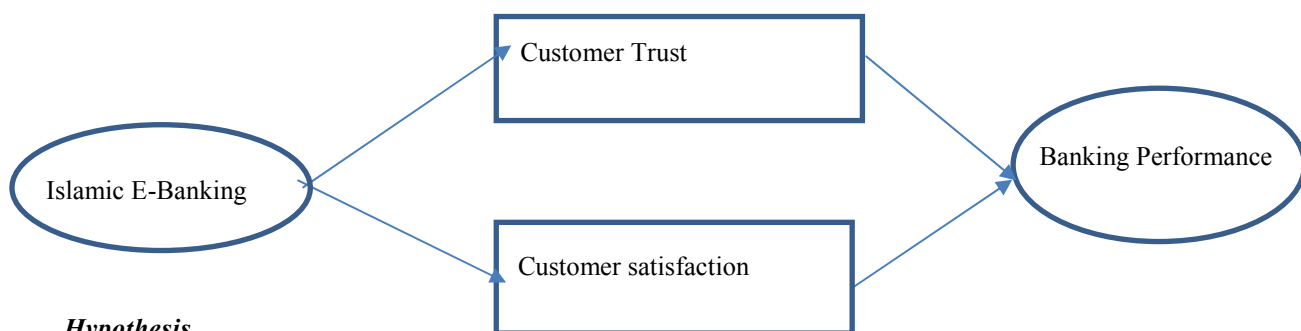
Then it has bad influence on the customer who uses it. Therefore, the bank must adopt high technologies, but these technologies must be easy to manipulate. In the mobile banking system banks must know the customer before any transaction takes place in mobile banking. To get the competitive advantage banks are trying to keep their customers. For this purpose banks make different plans and strategies. To make these mobile banking system plans focus on how much precisely the transactions are done on the mobile and also the emphasis on security issues. By focusing on these factors banks can firm a good strategy for customer retention. According to Saleem and Rashid (2011) changing conditions in the organizational environment lead to misperception of decision making, which eliminate misperception in decision making bankers should make the market assumption.

Banks need an advanced level of policies that are associated with the version of mobile banking. The banking system the practical factor play a very important role to increase the interest of new customers and also attract new customers. If banks want to keep their customers and also want to raise the level of customer satisfaction then banks should give their staff that exercise how to deal with customers better. Bank need to open help centers for customers, these customer centers get recommendations on how to get the maximum profit from the utility. The economic factor (Sindhu, Bukhari & Hussain, 2014) has great influence on customer satisfaction. The mobile banking service focus on the abundant cost is real that is advertised to traditional banking. There are many sources for successful bank services in Pakistan. These sources are service charges or the game changer, supposed value, and customer satisfaction and quality of service. The amount of customer satisfaction is

important to know what kind of technology is being used by banks. The Internet banking system means that online banking transactions take place on the Internet or through mobile banking.

The Islamic E-Banking system is beneficial to both banks and customers. It is useful for banks because it reduces the staffing of customer services and minimizes the waste of other resources because customers use their personal account on the bank's website. Gan et al. (2011) explain that in the banking sector customer satisfaction is exaggerated by the perception of the customer that has already accumulated. Customer satisfaction of the banking industry is an aspect of the solution for its continued existence in a competitive market. Calculation of customer satisfaction help management to observe the means of performance, providing the action of data capable. When banks meet customer satisfaction then it leads to customer loyalty that is profitable for the bank. Customer satisfaction encourages banks to improve the quality of service and also help provide effective banking management. In the Pakistani banking sector customers are classified according to the environment and the location of the relevant banks. (Javed, 2005).

Theoretical Framework



Hypothesis

- H₁: Internet banking has positive impact on banker performance.
- H₂: The relation of internet banking on banking performance with moderator trust is positive.
- H₃: The relation of internet banking on banking performance with moderator customer satisfaction is positive.

Methodology

The present study is conducted to discover the customer perception toward service quality, business image and customer satisfaction in the Islamic E-Banking sector of Pakistan. Planned (structured) questionnaire method is used for data gathering. The structured questionnaire spread to the respondents chosen by using suitable sampling. The sample is selected from major cities of Pakistan like Islamabad (capital of Pakistan), Rawalpindi. Sample size consists of 200. These questionnaire contains close ended questions and is developed by means of the five point Likert scale ranging from “strongly disagree” 1 to “strongly agree” 5. This sequence is adopted from Gautam (2011) study. Questionnaire consist of four sections, first section is about service quality, second is related to the respondents ‘satisfaction toward banking sector’s services, third part is about corporate image and fourth section finds the information about customer perceived value. Set of questions used in each section is converted to dependent variable and independent variable by averaging the questions in each section.

Findings and analysis

Descriptive Statistics and Correlation analysis

Descriptive statistics explains the normality of data and it is as well explains through mean, median, standard deviation, skewness and kurtosis. Correlation is used to examine the degree of which variables are connected with each other’s, and it also specifies the path of relationship that exists among the variables.

Table 1: Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis	Cronbach Alpha
Islamic E-Banking	3.15	0.98902	-0.171	-0.461	0.743
Customer trust	3.244	0.7809	0.018	-0.444	0.896
Customer Satisfaction	3.288	0.74765	-0.056	-0.651	0.826
Bank Performance	3.228	0.78965	-0.059	-0.677	0.894

The results of correlation that are compute using SPSS software. Variables are customer satisfaction, trust Islamic E-Banking and banking performance. To check the significance of these variables two-tailed test has been used. The level of significance used for present study is 0.01. The above results show that all independent variables are extremely correlated with each other. It shows that if banking sector in Pakistan focus on service

quality it will add toward higher customer satisfaction and better corporate picture. The results are showing that by focusing upon service quality banking sector in Pakistan can increase customer satisfaction as well as corporate image.

Table 2: Correlation Analysis

	Islamic E-Banking	Customer trust	Customer Satisfaction	Bank Performance
Islamic E-Banking	1.000			
Customer trust	0.733**	1.000		
Customer Satisfaction	0.840**	0.935**	1.000	
Bank Performance	0.924**	0.931**	0.974**	1.000

**Correlation is significant at the 0.01 level

The reliability of variable Islamic E-Banking is shown in above table the results indicate that it falls (.07 to 0.9) as its value is .743 which shows it is reliable. The reliability of variable customer Trust is shown in above table the results indicate that it falls (.07 to 0.9) as its value is .896 which shows it is reliable. The reliability of variable customer satisfaction is shown in above table the results indicate that it falls (.07 to 0.9) as its value is .825 which shows it is reliable. The reliability of variable Banking Performance is shown in above table the results indicate that it falls (.07 to 0.9) as its value is .894 which shows it is reliable.

Regression analysis

After checking the correlation between the variables the regression analysis is mostly used to estimate the affiliation among dependent and independent variable(s). It is also used for the forecast and it explores the form of the connection between the dependent and the independent variables. In this study the R-square has shown the value is 0.854 which have clearly explained that this model is properly and well defined by independent factors.

Table 3: Regression Analysis

	Beta	SD	T-Value	P-Value
Islamic E-Banking	0.738	0.029	25.467	0.000
Customer trust	0.418	0.010	43.266	0.000
Customer Satisfaction	0.553	0.012	45.264	0.000

*Dependent Variable: Bank Performance

The ANOVA's table show above the significance of variable which should be less than.005 we conclude the dependent and independent variable have significant relationship between each other and between mediator's variables. Letter "β" tell the direction of the effect, its strength and influence of independent variable. Its value can vary from positive to negative. The significance level is denoted by the letter "p" which should be less than 0.5. The results shows that Islamic E-Banking effect the banking performance since ($\beta = .924, p = 0.000$). Which shows H1 is accepted as both have positive relationship. Whereas the H2 is also accepted as ($\beta = .547, p = 0.000$). Relation of internet banking on banking performance with moderator trust is positive. Whereas H3 also accepted as ($\beta = .673, p = 0.000$).

Conclusion and Recommendation

Focusing on Islamic E-Banking for banking sector this new trend is emerging all over in Pakistan. Pakistan is a huge market for banking sector as it has strong market demand this study shows how Islamic E-Banking can effect it customer trust and customer satisfaction which directly affect bank performance as the study was taken in limited area of Pakistan further research can be done in other cities to check results where as another mediator can be added to study to make is more wise such as banker acceptance.

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