

ASSESSING THE EFFECT OF INTERNET BANKING ON THE SATISFACTION OF CUSTOMERS IN THE BANKING SERVICES

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ABSTRACT

The main objective of the study is to assess effect of internet banking on the satisfaction of customers in the banking services. A cross-sectional research and quantitative approach was adopted for the study. A non-random quota sampling technique was used to select a sample size of 100 customers. Questionnaires were adopted to collect data from the customers. Data was descriptively analyzed. Findings from the study revealed that Variables that influence customer commitment towards online banking include service quality, trust, perceived ease of use, perceived usefulness and satisfaction can also have a significant impact on bank's profitability. Thus, it becomes important for banks to understand which variable is most important for online business, which also affects their business performance. The main findings of the chapter reveal that majority of the responding banks find their customers satisfied with internet banking services. Respondents find internet banking transactions advantageous, more innovative and user friendly self service technology, extending bankers greater autonomy in performing various banking transactions. About 97% of respondents are quite satisfied with the online banking system as their bank does not allow any third person to access customer's personal information. Respondents were more satisfied with the privacy and security to customer transaction followed by perceived ease of use. In conclusion, the regression result of this study showed a positive relationship between all the internet banking variable and customer satisfaction.

Keywords: Internet Banking, Customers Satisfaction, Banking Services.

1. INTRODUCTION

The advent of the Internet brought major changes to the banking sector. Internet banking (e-banking) is a remote service, where access to account information and any transactions is granted at any time from any computer with an Internet connection. The Internet offer opportunities of growth and increase in added value not only for the banks but also for customer satisfaction. Banks currently are able to achieve full automation of the everyday transactions thus allowing for reductions in the work force and subsequently the workload of employees. Using the internet banking, customers are able to reduce their direct and indirect costs. Most of the banks, offer their services through the Internet for free, and customers avoid the costs of visiting the banks to conduct transactions (Karim and Allam, 2010). Internet banking is one of the technologies which is fastest growing banking practice now a day. It is defined as the provision of information or service by a bank to its customers over the internet. It is viewed as a supplemental channel used in conjunction with other channels to provide the convenience of banking anytime from one's home or work, without having to incur some of the costs associated with a branch visit like going to the branch or waiting on lines. Online banking eliminates physical and geographic boundaries and time limitations of banking services (Yang et al., 2007).

According to Hannan et al. (2007) the terms e-banking and internet banking are used as complements. United Nations Conference on Trade and Development (UNCTAD, 2012) defines internet banking “as the deployment over the Internet of retail and wholesale banking services. It involves individual and corporate clients, and includes bank transfers, payments and settlements, documentary collections and credits, corporate and household lending, card business and some others”. Internet banking is the latest form of banking over the internet without the need of any specific program. Users are able to access their account at any time and from any place they want. Only the use of a web browser such as “internet explorer” or “firefox” is enough. Users have full control over their accounts, performing a wide range of activities far more sophisticated and advanced from the simple checking of the balance or the transfer of money. The advantages of using the internet to serve customers can not stay unnoticed by banks in modern world (Singh and Gagandeep, 2011). The internet comprises an extremely cheap channel which at the same time can offer better service to the customers. Banks implementing internet banking are able to offer a wide range of services while at the same time achieve deep personalization in the relationships with the customers (Rahmath and Hema, 2011).

According to Hansemark and Albinsson (2004), satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some need, goal or desire. With the growing trend of information technology in banking sector, customers prefer to deal online with their bank because of the rising trend of technology effecting quality and customer satisfaction. Moreover, online banking facilitates cost-effective decision thinking and applications on the part of the e-bank’s operations and information technology managers to enhance customer service quality, develops trust in customers and boosts market share in this expanding but increasingly competitive business area. It therefore generates customer satisfaction and also customer commitment (Liao and Cheung, 2008).

It is clear that the implementation of internet banking has impacts on customer’s satisfaction. From banks’ and customers’ perspective it is of great importance the successful implementation of internet banking which leads in important cost savings for both sides. This study is an effort which aims to offer some insights for the banks for further improvements of that service to increase customer satisfaction.

2. METHOD

2.1 Study Design

The research design is the researcher’s plan for investigating or addressing the research questions or research objectives. The present study is both descriptive and evaluative in nature and examines the effect of various factors that lead to customer satisfaction in internet banking. This used the descriptive method to obtain information from customers in the banking services. Descriptive research methods attempt to maximize objectivity, replicability, and generalizability of findings, and are typically interested in predictions. Integral to this approach is the expectation that a researcher will set aside her experiences, perceptions, and biases to ensure objectivity in the conduct of the study and the conclusions that are drawn. (Bryman, 2008).

2.2 Study Population

A research population is also known as a well-defined collection of individuals or objects known to have similar characteristics. The target population is the entire group a researcher is interested in; it is the group about which the researcher wishes to draw conclusions. The

target population included inputs from categories of customers where proper information would be obtained that would enable the researcher to assess the effect of internet banking on customer satisfaction.

2.3 Sample and Sample Procedure

Sampling refers to the act of drawing from a population in order to draw conclusions regarding the entire population. (Neuman, 2000). The simple random sampling method was adopted in the selection where such respondents were chosen from the population of the customers in the banking service and the sample size of 100 for the study. This helps to ensure that each employee has an equal chance of being selected.

2.4 Instrument

Data was collected from the target population using structured questionnaires. The study used both open ended and close ended questionnaires to find out information from the target population. The schedule for data from customers consisted of nine sections viz. general information, peripheral services that customers avail from their banks, trust, commitment, service quality, perceived ease of use, perceived usefulness, privacy and security, and customer satisfaction.

2.5 Data Collection

The combination of primary and secondary data was used for the analysis of the study. However, the major source of data was obtained from primary sources. The secondary data was obtained from published documents, reports, periodicals, the internet, magazines, newspapers, reports, journals and other relevant state and non-state institutions that have publications relating to the study.

2.6 Data Analysis

After collecting data from the field, the researcher analysed the data using Statistical Package for Social Scientist (SPSS version 21) and Microsoft Office Excel. The descriptive statistics such as frequencies, percentages and graphs are used for the analysis of the research questions while hypotheses testing were done with Spearman Rank Correlation and Simple Regression Analysis in order to make generalization out of the data. This assisted the researcher in reading meaning into the collated data to achieve a high level of data validity and reliability.

2.7 Reliability Analysis (Cronbach's Alpha) and Validity

The reliability analysis is used to establish both the consistency and stability of the research instrument. Cronbach's alpha is computed in terms of the average intercorrelations among the items measuring the concept. The closer the Cronbach's alpha is to 1, the higher the internal consistency reliability of the research instrument.

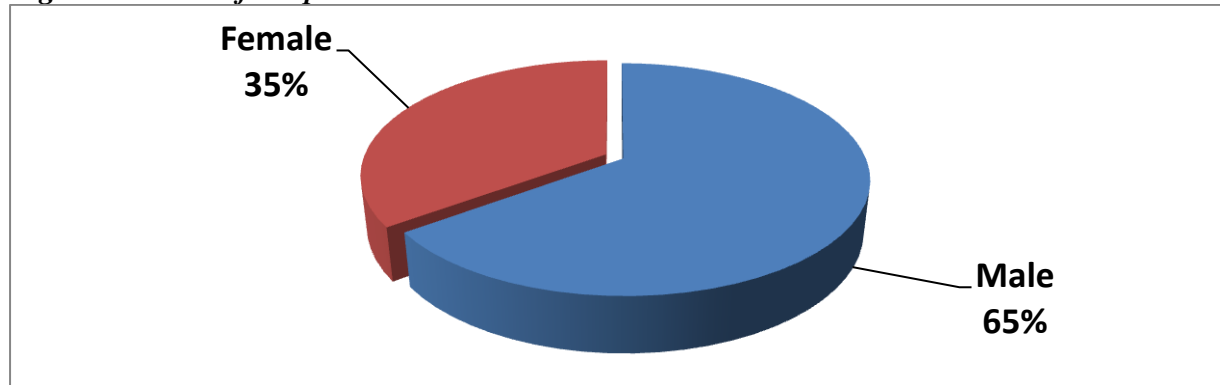
Validity as used in research refers to the degree to which the outcome of a study accurately reflects the variable which is being measured or which the researcher is attempting to measure. Validity is therefore concerned with the success rate at which the study measure what the research sets out to measure.

3. STUDY RESULTS

3.1 Background of Respondents

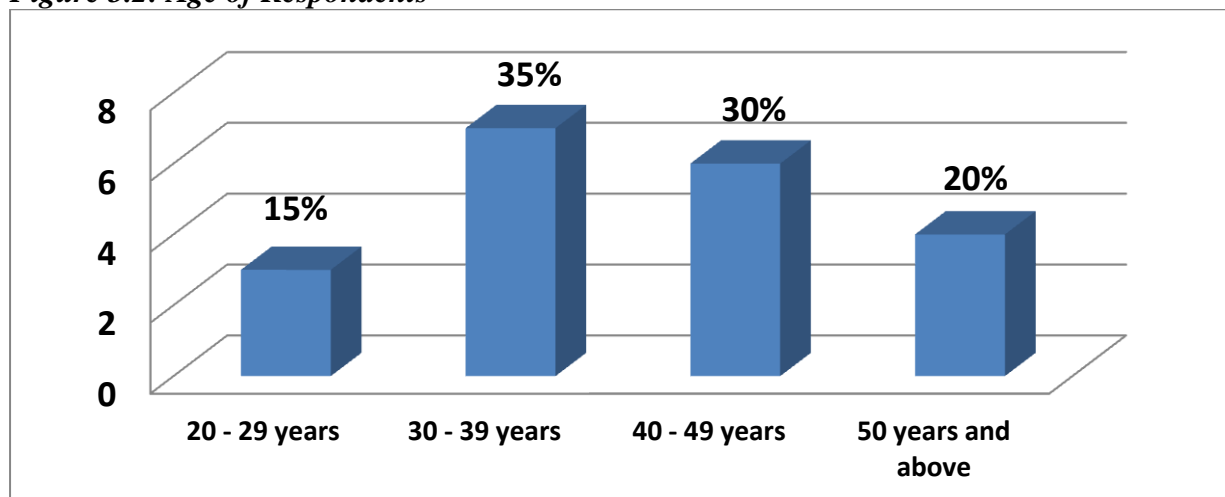
3.1.1 Sex of Respondents

The study recruited hundred (100) customers. Out of the 100 respondents, a majority 65% were males whilst 35% were females. This information is indicated in figure 4.1 below.

Figure 3.1: Sex of Respondents

3.1.2 Age of Respondents

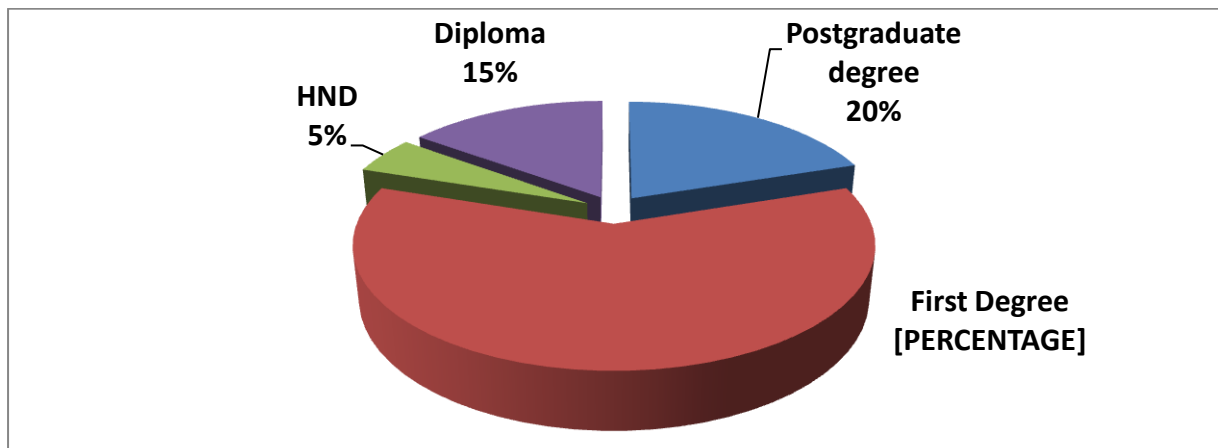
As indicated in figure 4.2, the study revealed that a significant number (35%) of the respondents were between the ages of 30-39 years whilst a few (15%) of the respondents were between the ages of 20-29 years. Then, 30% of the respondents were between the ages of 40-49 years and 20% of the respondents were 50 years and above.

Figure 3.2: Age of Respondents

3.2.3 Educational Background

The study observed that, a significant number (60%) of the respondents had first degree, 20% of the respondents had postgraduate degrees, 15% of the respondents were diploma holders and 5% of the respondents was also HND holders. It can be recognized that a larger number of respondents had higher education that is (first graduates and postgraduates) than those who had lower education that is (diplomas and HND). Figure 4.3 indicates the educational background of respondents.

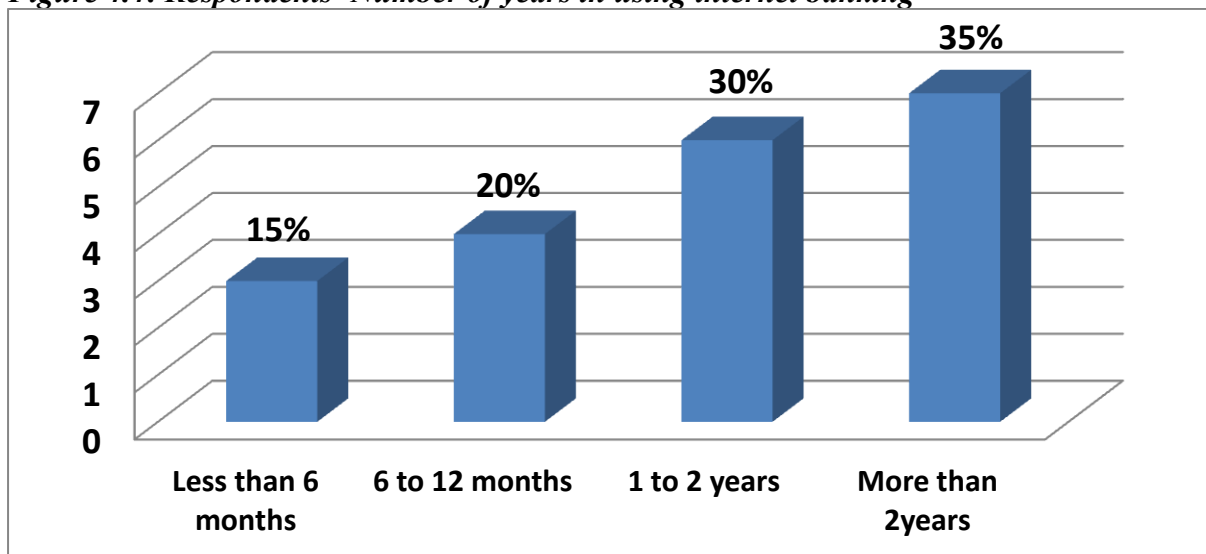
Figure 3.3: Educational Background of Respondents



3.2.4 Number of years in using internet banking services at the bank

Figure 4.4 indicates the number of years respondents had been using internet banking service at the bank. It was revealed that, a significant number 35% of the respondents had been in service for more than 2 years, 30% of the respondents had been in service for 1-2 years, 20% of the respondents had been in service for 6-12 months and 15% of the respondents had been in service for less than 6 months.

Figure 4.4: Respondents' Number of years in using internet banking



3.2 Effect of Internet Banking on Customer Satisfaction

3.2.1 Implementing a successful internet banking strategies

As indicated in table 4.1, the study revealed that all (100%) the respondents acknowledged that internet banking strategies was successful on the basis of customer satisfaction, service quality, and perceived ease of use. Then, 90% of the respondents indicated that internet banking strategies was successful on the basis of perceived usefulness. Also, 90% of the respondents indicated that internet banking strategies was successful on the basis of trust. Furthermore, 90% of the respondents suggested that privacy and security can facilitate successful Internet Banking Strategies. Moreover, 80% of the respondents indicated that internet banking strategies was successful on the basis of commitment.

Table 3.1: Various strategies adopted to implement a successful Internet Banking Strategies in the company

Internet Banking Strategies	Respondents	Percentage
Service quality	100	100%
Customer Satisfaction	100	100%
Perceived ease of use	100	100%
Perceived Usefulness	90	90%
Privacy and Security	90	90%
Trust	90	90%
Commitment	80	80%

3.3 Cronbach's Alpha Test of Reliability

The internal reliability of the model was used to measure the dimensions of Internet Banking by performing the the Cronbach's Alpha Test of Reliability. The results of the test show that each dimension was internally consistent. The table below shows the results of the test performed.

Table 3.2: Cronbach's Alpha Scores

Dimensions	Cronbach's Alpha Score (α)	Average Variance Extracted (AVE)
Service quality	0.90	0.64
Customer Satisfaction	0.88	0.58
Perceived ease of use	0.72	0.46
Perceived Usefulness	0.79	0.51
Privacy and Security	0.73	0.48
Trust	0.72	0.46
Commitment	0.66	0.40

A Cronbach Alpha score greater than 0.8 show high internal reliability of the scaled item. Additionally, the Cronbach Alpha increases when the number of items in the scale is increased which means that the Cronbach Alpha score decreased. From table 3.2 above Service quality and Customer Satisfaction were both above 0.8, meaning that they are highly reliable. Additionally, perceived ease of use, perceived usefulness, privacy and security, and trust were also found to be above the 0.70 score. The test done also shows that decreasing any of the dimensions that have two or more variable lead to a decrease in the Cronbach Alpha score. Additionally, the value of AVE of speed of delivery was more than 0.5 for only one of the dimensions hence fulfilled the standard prescribed by researchers. The rest of the dimension of service quality met the minimum recommendation of between 0.40 and 0.50 bench mark.

3.4 Correlation Analysis on Internet Banking Dimensions Positively Correlate Customer Satisfaction

The Spearman correlation was used to test the correlation between internet banking dimensions and customer satisfaction.

Table 3.3: Spearman Correlation between Internet Banking Dimensions and Customer Satisfaction

Dimensions	Overall Satisfaction (r)	Significance (2-tailed)
Service quality	1.000	-
Customer Satisfaction	0.529**	+0.00012
Perceived ease of use	0.557**	0.00006
Perceived Usefulness	0.583**	0.00032
Privacy and Security	0.218*	0.05
Trust	0.334**	0.00007
Commitment	0.636**	0.00001

Inferring from the SPSS version 21.0 manual the use of multiple correlation test is important if the researchers was interested in assessing the relation between multiple independent variable and one dependent variable. To carry out the multiple regression the spearman's rho non-parametric correlation test was performed. The result of the Spearman ranked hypothesis showed that all the dimension of internet banking used for this study was significance with the overall satisfaction. The result further indicated that apart from privacy and security which was significant at 5% significance level all the other dimensions were significant at 1% significant level. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.

3.5 Regression Analysis on Internet Banking Dimensions leads to Customer Satisfaction

The table below gives the results of the regression ran to assess the impact of service quality dimension on customer satisfaction with internet banking. The regression was estimated using customer satisfaction as the dependents variable whilst speed of delivery, reliability, ease of use, enjoyment, control and privacy were independent variables.

Table 3.4: Regression Analysis on Internet Banking Dimensions leads to Customer Satisfaction

Dimensions	t-statistics	Co-efficient (β)	Mean of subsample	SE
Service quality	4.36	0.19	0.19	0.04
Perceived ease of use	0.55	0.02	0.04	0.03
Perceived Usefulness	3.04	0.15	0.16	0.05
Privacy and Security	1.42	0.07	0.08	0.06
Trust	4.33	0.25	0.25	0.06
Commitment	11.67	0.42	0.42	0.04

The R^2 value for the Customer Satisfaction with internet banking was 0.66 which indicates that the Internet Banking Dimensions variables (Service quality, Perceived ease of use, Perceived Usefulness, Privacy and Security, Trust, and Commitment) explained or accounted for 66% of the variation in the dependent variable. The statistical testing as presented in the table above shows the general acceptance of the hypothesis that Internet Banking Dimensions variables (Service quality, Perceived ease of use, Perceived Usefulness, Privacy and Security, Trust, and Commitment) lead to customer satisfaction with internet banking. The result shows that the first variable "Service quality" has a positive effect on Customer Satisfaction.

The t-statistic was 4.36 and the coefficient was 0.19 and this relationship is significant at 5% level.

The second dimension of Internet Banking (Perceived ease of use) had a positive effect on Customer Satisfaction. The t-statistic for ease of use was 0.55 while the regression coefficient was 0.02 and this relationship was significant at 1% significance level. The second hypothesis also is true for the estimated mode.

Additionally, there was a positive effect of Perceived Usefulness on Customer Satisfaction at 0.05 significance level. This level was achieved with a t-statistic of 3.04 and a regression coefficient of 0.15. Additionally, supporting the regression is Privacy and Security another dimension of Internet Banking. There was a positive effect of pleasure on Customer Satisfaction. The value of the statistics shows that the statistic as 1.42 and the coefficient was 0.07. This relationship was significant at 5% significance level.

The study also shows a positive effect of the Trust variable on Customer Satisfaction with a regression coefficient of 0.25 and a t-statistic of 4.33. The variable was also significant at 5% significant level.

Finally, Commitment was also significant at 1% or 0.01 and recorded a positive effect on Customer Satisfaction with a t-statistic of 11.69 and coefficient of 0.42. This means that the hypothesis that Internet Banking Dimensions variables (Service quality, Perceived ease of use, Perceived Usefulness, Privacy and Security, Trust, and Commitment) lead to customer satisfaction should be accepted and not rejected.

4. DISCUSSION

About 96% of respondents feel that by using internet banking is very easier job to do which enhances the time and cost saving benefits and consequently enables the bankers to support the customer order more efficiently and effectively. Majority of respondents remain committed to buy from their bank because of their performance, high customer satisfaction and reasonable price. About 97% of respondents are quite satisfied with online services for conducting various banking transactions. Customer satisfaction is not only influenced by better service quality and trust but also through other factors such as perceived ease of use and perceived usefulness, which are not only antecedents of behavioural intention but also the source of generating customer satisfaction and commitment.

The finding of this study shows that there was a positive significant relationship between all the variables of internet banking and overall customer satisfaction. The regression result of this study showed a positive relationship between all the internet banking variable and customer satisfaction. The results show that with the exception of “Privacy and Security” and “Trust”, all the other variables were significant at 5% significance level. This was because customers of internet banking were of the indicated that they did not have control over internet banking activities. In Cronbach Alpha test for the reliability of the data shows that perceived ease of use and customer satisfaction met the Nunnally and Bernstein’s criteria of 0.8 whilst the remaining dimensions of internet banking.

Ease of using banking services was one area, which was very important to the respondents of the study. Internet banking users who were participants to the study were interested in using the services because it was very easy to use. Respondents can use it anywhere and at any time

since they do not have to walk into the banking hall. Banking services can be done anywhere. The key concern was the control and privacy. Although the customers of the various banks sampled were quiet satisfied with the control and privacy of the banking services, some were very skeptical with the internet banking services.

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