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The Impact of E-banking on Customer Satisfaction in Nigeria

Ahmad Bello, Dogarawa

Ahmadu Bello University, Zaria-Nigeria

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BACKGROUND OF THE STUDY¹

Electronic commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in motion a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the electronic marketplace.

Electronic-commerce in Nigeria is in an embryonic stage. However, one area of electronic-commerce that has proven successful in Nigeria is electronic banking (E-banking). The term "electronic banking" or "e-banking" covers both computer and telephone banking. It refers to the use of information and communication technology by banks to provide services and manage customer relationship more quickly and most satisfactorily (Charity-Commission, 2003).

Burr (1996) describes it as an electronic connection between the bank and the customer in order to prepare, manage and control financial transactions. Electronic banking according to Al-Abed (2003) is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. Lustsik (2004) describes electronic banking as a variety of the following platforms: Internet banking, telephone banking, TV-based banking, mobile phone banking, and PC banking.

For the purpose of this research, we define electronic banking as the delivery of banking services and products through the use of electronic means irrespective of place, time and distance. Such products and services can include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment, and the provision of other electronic payment products and services such as electronic money.

The benefits of this 21st century banking are numerous. Its introduction would increase the potential of business to attain greater productivity and profitability, as trading and transactions, which would be carried out via communication networks, would be a lot faster and distance would no longer be barrier to effective transactions (Fagbuyi, 2003).

According to Sergeant (2000), the benefits of E-banking are manifold and are to be seen from the point view of the banks themselves, customers and even the

¹ This paper has been published by the Faculty of Social and Management Sciences, University of Abuja, Abuja-Nigeria
Ahmad Bello Dogarawa, Department of Accounting, Ahmadu Bello University, Zaria-Nigeria

regulators. According to him, for banks, E-banking brings different and arguably lower barriers to entry; opportunities for significant cost reduction; the capacity to rapidly re-engineer business processes; and greater opportunities to sell cross border. For customers, the potential benefits are: more choice; greater competition and better value for money; more information; better tools to manage and compare information; and faster service.

In the past few years, Nigerian banks and generally the financial services industry embraced electronic banking, which has been made possible by the advancements in information technology (IT).

According to Sanusi (2002), the introduction of such e-payment products in Nigeria commenced in 1996 when the CBN granted Allstates Trust Bank approval to introduce a closed system electronic purse called ESCA. This was followed in February 1997, with the introduction of a similar product called "Paycard", by Diamond Bank. The card based e-money products assumed an open platform with the authorisation in February 1998, of Smartcard Nigeria Plc, a company floated by a consortium of 19 banks to produce and manage cards called valucard and issued by the member banks.

Many banks therefore launched their websites between 1998 and 2000 with a view to starting Internet banking. A consortium of more than 20 banks under the auspices of Gemcard Nigeria Limited obtained CBN approval in November 1999 to introduce the "Smartpay" scheme. The CBN has additionally granted approval to a number of banks to introduce international money transfer products, telephone banking and on-line banking via the Internet, though on a limited scale (Abdulhakeem, 2002).

Many more sophisticated electronic banking products were thereafter, introduced to improve service delivery and customer satisfaction. CBN (2003) reports that Automated Teller Machines (ATM), Cards, Telephone Banking, Personal Computer Banking and Internet Banking are now available in the banking system.

Thus, Nigerian banks today are seriously into new electronic delivery channels for banking products and services with a view to delivering better services and satisfying customers the more. Banks that cannot offer these services are increasingly losing their customers.

The objective of this study is to examine and assess the impact of e-banking services on customer satisfaction in the Nigerian banking industry.

STATEMENT OF THE PROBLEM

The use of technology forms the backbone for better results in banking. This is articulated in the HSBC report of 2000, which stated that benefits from technology are more than three times its cost. Today's banking situation demands continuous innovation in order to meet the yearnings and aspirations of the ever-demanding customers. Hence, banks need to roll out new products and services quickly and effectively, using latest cutting edge technology (Augusto, 2002).

One of the benefits banks derive from electronic banking products and services delivery is improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently, which will undoubtedly impact significantly on the overall performance of the banks. The customers on the other hand, stand to enjoy the benefit of quick service delivery, reduced frequency of going to banks physically and reduced cash handling, which will give rise to higher volume of turnover. However, these developments in the Nigerian banking industry seem not to have achieved their aims. Queues are still seen in the banking halls, bank customers still handle too much cash, and hardly people talk about the electronic banking products that are available in Nigeria.

The problem here is: are customers really enjoying these services? Related to this problem, empirical evidence implies that customers' patronage for and reaction to a particular product depend on their level of understanding of what the product can do and what they stand to benefit there from (Balachandher, 2001). In this connection, it is relevant to find out the perception of e-banking by customers.

RESEARCH HYPOTHESIS

H₀: Electronic banking products and services have not significantly improved customer satisfaction

H_A: Electronic banking products and services have significantly improved customer satisfaction

METHODOLOGY OF THE STUDY

The population of the study consists of respondents drawn from customers of First Bank Nigeria Plc, Zenith Bank Plc and Guaranty Trust Bank Plc in Lagos, Port Harcourt and Kaduna. We draw a sample of 180 persons (60 in each bank) that maintain current account with these banks. The sample drawn is based on judgemental sampling approach given the fact that this population is infinite. It is infinite because banks are not willing to disclose number of their current account customers due competition and other reasons. Hence the number cannot be exactly defined.

We use questionnaire as instrument for collecting our primary data, which will help us answer our research hypothesis. We present data using descriptive statistics and analyse same using Chi-square. The chi-square can be represented using the following formula:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where;

O= Observed value

E= Expected value

LITERATURE REVIEW

On-line, real-time banking services have now become a birth right of the customer as the customer demands the flexibility of operating an account in any branch of a bank irrespective of which branch the account was domiciled (BankAway, 2001). Through Internet banking, customers would enjoy sitting in the comfort of their homes and offices and with a PC log onto their banks' servers and transact banking activities.

Banks customers' taste and desire have begun to raise the stakes of expectation of exceptional services. Customers want to transact their banking transactions at any time and location convenient for their life-style. They want to pay their regular household bills, buy and sell stocks and shares (Carse, 1999).

The efficiency, growth and the need to satisfy a growing tech-survey consumer base are three clear rationales for implementing E-banking in Nigeria. The four forces - customers, technology, convergence and globalisation have the most important effect

on the Nigeria financial sector and these changes are forcing banks to refocus their activities and relationship with their customers.

The success of electronic banking, as agreed by many researchers, depends probably on bank service quality, customer preferences and satisfaction. Recent studies found that consumer behaviour is changing partly because of more spare time. The way of use of financial services is characterised by individuality, mobility, independence of place and time, and flexibility (Seitz and Stickel, 2004).

Historically, banks have taken the attitude that they will provide customers with the services and products that they, the banks, wish to provide. Buyer power, as evidenced by the increase in wealth and sophistication of the most profitable customers, now dictates that such customers will determine with whom they will bank, which products they will use, what pricing they will accept and which delivery channels they choose to use. Banks not recognising these requirements could rapidly lose between 30-50% of their customers, especially the most profitable customers including the 'magic' top10%. It has been proven that the least profitable clients will be the least likely to move. Banks are therefore being forced to adopt a strategy towards their customers that is focused on buyer driven desires. In order to survive both from domestic and the increasing level of global cross-border competition, banks need to change their process of servicing their customers. Firstly, to capture and retain the most profitable customers and secondly to redirect unprofitable customers into service channels which can limit the costs and maximise potential revenues (Mols, 1998).

Success in the electronic-banking era is measured in the eyes of the customer. A bank has to profitably meet the needs of customers and continuously improve its ability to do so. It has to be accurate, reliable, helpful and understanding. The goal is not simply to satisfy customers but to positively delight them.

The specific things that delight the customer vary from industry to industry and from product to product. But most customers want the same things. According to (Balachandher, 2001),

1. Customers are interested in quality
2. They desire good and effective service delivery
3. They want flexibility so that the specific product or service be obtained
4. They covet value by not wanting to pay a price that exceeds the value received from the product

Researches conducted in some countries on customers' perception of and reaction to electronic banking products and services, and others on customer satisfaction concluded that the few e-banks that face liquidity problem in so-called advanced countries is as a result of the negative perception their customers have of the services. In fact, in some countries, E-banking products and services are not very popular because customers do not consider them as better alternative to traditional banking services (Balachandher, 2001). Worst still, findings of few researches reveal that some customers view these e-developments as nothing to talk about. What are e-banks expected to do?

Lustsik (2004) adds that an important factor indicating an urgent need for change is that the Pareto 80/20 rule appears to be no longer valid. Recent analysis shows that instead of 20% of customers generating 80% of profits, 10% of customers are generating over 100% of profits. This of course means that the remaining 90% are unprofitable. Many banks are only just realising that they are unable to measure profitability accurately enough to tell the difference between their profitable and unprofitable business. The tendency at these banks is therefore for all senior managers to claim that their business responsibility area is profitable in the absence of reliable management statistics that can demonstrate otherwise. A fundamental realisation in the context of all these developments is that banking is changing from a seller driven process to a buyer driven process.

Thus, the success of E-banking depends squarely on customers' satisfaction of the e-products and e-services. E-banks need therefore, to make a lot of effort in creating awareness among existing and prospective customers about the benefits of these products and services.

In Nigeria, electronic banking products are increasingly gaining ground as many customers received them as panacea to problems of poor service delivery that has been bedevilling many banks for a long time. However, experts posit that the rate at which Nigerians accept the products is far below expectation. This according to some research findings is due to lack of awareness about the products, inadequate legal framework and low technology. Hence, for the new delivery channels to succeed, both e-banks and the regulatory authority in Nigeria have to sensitise the public of the beauties of the e-products.

Banks in particular, need rebuild a customer focused banking with new improved processes, modern technology, a competitive range of delivery channels and focusing services on the best customers. This of course requires the radical remodelling of the banks delivery channels and business process engineering resulting in significantly improved: process excellence, speed of delivery, and value to customers. Through these, customers' perception of and reaction to electronic banking products and services would be positive.

There are a number of lessons learned from our review of literature pertaining to electronic banking and customer satisfaction. The most striking one is that electronic products and services have a long history as means of delighting customers and improving performance.

ANALYSIS OF RESPONSES AND DISCUSSION OF RESULTS

A total of 180 questionnaires were administered to bank customers: 60 to each of the three banks. Of the number, 52, 47 and 56 were answered and returned by customers of First Bank, Zenith Bank and Guaranty Trust Bank respectively. Thus, of the 180 questionnaires distributed, 155 were answered and returned which represented 86% of the total respondents.

Though the questionnaire covered various issues, only the relevant findings are reported here.

Question 1: Before the introduction of e-banking products, how frequent in a month do you visit the bank for transaction?

Table 1: Frequency of Visit before Electronic Banking

	FBN		ZENITH		GTB		Total	Cumm. %
	Number	%	Number	%	Number	%		
Rarely	7	13	9	19	13	23	29	19
Frequently	27	52	26	55	35	63	88	57
Very frequently	18	35	12	26	8	14	38	25
Total	52	100	47	100	56	100	155	100

Source: Questionnaire returned

The table shows that 82% of the respondents frequently visit banks for transaction. It is expected that introduction of electronic banking products and services will go a long way in significantly reducing number of visits to the banks.

Question 2: With the introduction of e-banking, how many times in a month do you now visit the bank for transaction?

Table 2: Frequency of Visits after Electronic Banking

	FBN		ZENITH		GTB		Total	Cumm. %
	Number	%	Number	%	Number	%		
Never	2	4	3	6	6	11	11	7
Once	14	27	17	36	20	36	51	33
Twice	17	33	15	32	18	32	50	32
Thrice or more	19	37	12	26	12	21	43	28
Total	52	100	47	100	56	100	155	100

Source: Questionnaire returned

One of the implications of electronic banking is that it should reduce the need to visit bank branches. In fact, the electronic banking delivery channels are often considered as potential substitutes for brick and mortar bank branches. However, contrary to expectations, the survey results indicated that 93% of the respondents visit their bank branch at least once every month. This would indicate that consumers of banking services in Nigeria still find it useful to visit their bank branches regularly every month to perform some banking transactions. However, some of these customers indicated that they sometimes used automated teller system for other transactions such as cash withdrawals and funds transfer.

Question 3: How important do you still consider human teller?

Table 3: Importance of Human Teller

	FBN		ZENITH		GTB		Total	Cumm. %
	Number	%	Number	%	Number	%		
Very important	21	40	14	30	17	30	52	34
Important	25	48	23	49	27	48	75	48
Not important	6	12	10	21	12	21	28	18
Total	52	100	47	100	56	100	155	100

Source: Questionnaire returned

From the table above, 82% of the sampled respondents indicated that they find human tellers important. This would indicate that bank customers in Nigeria do quite value the importance of the personal touch in banking services. In fact, observation in the banking halls of most banks reveals that although, relationship officers encourage

customers to make inquiries directly through telecommunication means available, it amazes one to see that many customers prefer coming physically to the bank to make inquiries.

Question 4: Are you satisfied with electronic banking services you are rendered?

Table 4: Electronic Banking and Customer Satisfaction

	FBN		ZENITH		GTB		Total	Cumm. %
	Number	%	Number	%	Number	%		
Not satisfied	27	52	21	45	24	43	72	46
Satisfied	14	27	16	34	20	36	50	32
Highly satisfied	6	12	7	15	10	18	23	15
Undecided	5	10	3	6	2	4	10	6
Total	52	100	47	100	56	100	155	100

Source: Questionnaire returned

The above table indicates that only 47% of the respondents that use electronic banking products and services are satisfied with the quality of the products and efficiency of delivery. This calls for concern. Banks therefore, need to intensify effort in seeing that customers are not only satisfied but also delighted with electronic banking.

Question 5: What in your opinion is the main problem of e-banking business in Nigeria?

Table 5: Problems of Electronic Banking in Nigeria

	FBN		ZENITH		GTB		Total	Cumm. %
	Number	%	Number	%	Number	%		
Illiteracy	8	15	7	15	6	11	21	14
Inadequate Technology	15	29	13	28	16	29	44	28
Inadequate framework	9	17	9	19	10	18	28	18
Lack of confidence	20	38	18	38	24	43	62	40
Total	52	100	47	100	56	100	155	100

Source: Questionnaire returned

From the table, it is clear that customers are not very keen in going for electronic banking products due to lack of confidence and adequate technology in the system. Only 14% of the respondents indicated that customers' attitude toward electronic banking is due to illiteracy.

To test our hypothesis, we use table 4 above. From the table, the computed value of $X^2 = 3.4937$, while the critical value at 5% significance level and a degree of freedom of 6 is 12.59. Since the critical value is greater than the X^2 value; we therefore reject the alternative hypothesis and accept the null hypothesis that electronic banking products and services have not significantly improved customer satisfaction.

FINDINGS OF THE STUDY

The study finds that many banks' customers in Nigeria are fully aware of the positive developments in information technology and telecommunications which led to the introduction of new delivery channels for Nigerian commercial banks' products and services. The aim is to satisfy and get customer delighted. Most customers however, still patronize the bank branches and find interaction with human tellers as very important.

It also finds that customers enjoying electronic banking services are still not satisfied with the quality and efficiency of the services. This is expressed in the number of times customers physically visit banks and length of time spent before such services are received.

Customers' perception of and reaction to these developments are issues of concern to both Government and banking industry. A lot need to be done to create confidence in the minds of customers about the benefits and security of the new delivery channels. Lack of patronise for electronic banking products is expressed in lack of confidence.

CONCLUSION AND RECOMMENDATIONS

Electronic banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of a mouse offers bank customers services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. No country today has a choice-whether to implement E-banking or not given the global and competitive nature of the economy. Banks have to upgrade and constantly think of new innovative customized packages and services to remain competitive. The invasion of banking by technology has created an information age and rendered banking services more appealing.

In view of the findings of this study it is concluded that electronic banking in Nigeria is yet to create any significant impact on service delivery, which will consequently lead to improved customer satisfaction.

Based on the findings of this research, it is recommended that:

1. Much need to be done in the area of creating awareness about the availability of electronic banking products and services, how they operate and their benefits. Banks should organise public exhibitions and talk shows and make products accessible to all customers. In addition, they should improve their service delivery to justify the benefits of electronic banking products and services. This way, customers' interest would be aroused.
2. Banks should try to win customers' confidence by providing adequate security of transaction back up of critical data files and alternative means of processing information. They should also ensure good connectivity and power base that will enable them serve customers faster and more conveniently. The banks should ensure that at no time should service cease as a result of network problem
3. Government should provide adequate regulatory framework that will ensure customer protection, and security of transaction. That way, bank customers' confidence in electronic banking would be secured.

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