

# ELECTRONIC BANKING AND CUSTOMERS SATISFACTION IN YEWA ILARO OGUN STATE NIGERIA: THE CUSTOMERS' PERSPECTIVE

**Joshua, A. A. & Akintoye R. O.**

Department of Accountancy, Federal Polytechnic, Ilaro

## ABSTRACT

This study examined the impact of electronic banking on satisfaction of corporate bank customers in Nigeria. The study adopted survey research designed through the use of structured questionnaire and the regression analysis was the statistical method adopted. The study found that there is a significant relationship between electronic banking and customers' satisfaction. Also that E-banking has become popular because of its convenience and flexibility, and transaction related benefits like speed, efficiency and accessibility. Although these are fraught with insecurity and most importantly power challenges. The study concluded that e-banking has impact in improving customer satisfaction as it enhance reduction of time spent to withdraw cash and ensure control of account movement. The study recommends that banking sector should improve more security service for customer who uses electronic banking in order to enhance their confidence.

Keywords: Electronic, Banking, Consumer, Satisfaction.

## 1. INTRODUCTION

The recent consolidation exercise in Nigerian Banking industry has led to the emergence of e-banking in Nigeria (Ogunlowore and Oladele 2014). Technology is important in improving more efficient and faster services to customers. Emergence of e-banking was resulted also from globalization (Kadir & Poddar, 2015). In most developed countries, banking sector have developed the area of e-services and have actively involved in developing it in order to meet the ever changing needs and to satisfy the modern customers,(Hammoud, Bizri and Baba, 2018). The Electronic Payment Methods (EPM) are simplified and personalized ways of conducting financial transactions (using mobile or internet) without involving physical cash or paper cheque thereby reducing the instance where individuals have to carry large sums of cash and join lengthy queues on bank premises in order to conduct financial transaction (Jenevive & Anyanwaokoro, 2017). E-banking offers speed, efficiency, comfort and security compared to physical banking procedures. Automated Teller Machine (ATM) and Point of Sale (POS) have eliminated the need to use cheques and paper documentation (Jenevive & Anyanwaokoro, 2017).

Electronic payment strategies have been adapted in Nigeria and advancing by the increase in the share volume and worth of transactions accomplished through the ATM, POS, and Mobile phones, etc. For instance the volume of transactions executed with the ATM was put at N548.60 million in 2009 and this increased to N74.9 trillion in 2016 (Adegbesan, 2017). Thus, it is not doubtful concerning the penetration of electronic payment approaches in Nigeria (Jenevive & Anyanwaokoro, 2017). In Nigeria major cities and financial hubs, e-banking services are increasingly gaining ground as the customers received them as panacea to the problems of poor quality services peculiar to the Nation's banking system. However, what is unknown is the level to which e-banking services have reduced the stress or problems associated with banking and enhanced customers' satisfaction (Taiwo & Agwu, 2017). Emergent literature have identified that electronic banking in Nigeria is costly, occasioned by epileptic internet services, increase in the size of cash deposits, and increased exposure to fraudulent activities (Afolabi, 2009; Taiwo & Agwu, 2017).

Customer satisfaction as it refers to the extent to which customers are happy with the products and or services provided by a business. Further definition of customer satisfaction, it is a term generally used to measure a customer's perception of a company's products and or services(Farris, Bendle, Pfeifer, Reibstein 2010). According to (Offei and Nuamah-Gyambrah 2016), customers are now seeking for a faster and convenient technology with more rewarding banking experience. Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) are two factors mentioned in Davis's Technology Acceptance Model (TAM) that influences users' decision to use a particular technology system (Surendran, 2012). Therefore banks that fail to respond to the emergence of electronic banking in the market are likely to lose their customers (Salehi and Alipour, 2010). It is not a straight forward science however, as customer satisfaction will vary from person to person, depending on a whole host of variables which may be both psychological and physical.

Electronic banking is critical in the transformation drive of banks in areas such as products and services and how they are delivered to customers. Thus, it is seen as a valuable and powerful tool in the development, growth, promotion of innovation and enhancing competitiveness of banks. Electronic banking is preferred by people because it aids easy transaction of money or funds between the buyers and seller, banks and customers etc. In Nigeria, for customers, banking today is no longer about safety of their funds and increase returns in their investments only. Customers demand efficient, fast and convenient services as well as banks that will offer them services that meet their particular needs.

## **2. LITERATURE REVIEW**

### **2.1 Conceptual framework**

The revolution of information technology has influenced almost every spheres of life; notable is the banking sector. The introduction of electronic banking has changed and redefined the ways banks were operating. Similarly, the emergence of global economy, e-business has increasingly become a necessary component of business strategy and a strong catalyst for economic development, as technology is now considered the major contributor for organizations' success and as their core competencies. Consequently, electronic banking system has become an important practice among commercial banks in Nigeria, owing to the fact that the introduction of this banking system has improved banking efficiency in rendering services to customers. Thus, the banks (domestic or foreign) are investing more on providing the customers with the new technologies through e banking. Consequently, e-banking has become popular because of its convenience and flexibility, and also transaction related benefits like speed, efficiency, accessibility and so on (Elisha, 2010).

According to Abaenewe, Ogbulu, and Ndugbu, (2013) electronic banking is the conduct of banking business electronically which involves the use of information communication technology to drive banking business for immediate and future goals. Electronic Banking System is seen to be an innovative service delivery mode that offers diversified financial services like cash withdrawal, funds transfer, cash deposits, payment of utility and credit card bills, cheque book requests, and other financial enquiries, (Onyedimekwu and Oruan, 2013). Similarly, Imiefoh (2012) sees electronic banking as an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution.. E banking generally implies a service that allows customers to use some form of computer to access account-specific information and possibly conduct transactions from a remote location like home or workplace, (Odulaja 2012).

### **2.2 Empirical review**

During the recent years, the development of e-channels has dramatically changed the rules and operation in the banking industry. Today, several financial institutions are endeavoring to emphasize customer-oriented services. Hence building up competitive predominance almost depends on customers' satisfaction with banking service. A study by Kumbhar(2011) on customer Satisfaction towards E-banking services of ICICI bank in India which considered factors affecting on customers' satisfaction: an empirical investigation of ATMs service and examined that the cost effectiveness of ATM service were core service quality dimension and it was significantly affecting on overall customer satisfaction in ATM service provided by commercial banks.

Another study conducted in Unity Bank of Nigeria, has shown that an effective electronic banking system has improved its customer's relationship and satisfaction Olorunsegun (2010).Wise and Ali(2009) argued that many banks have invested in ATMs to reduced branch cost since customers prefer to use them instead of entering the banking hall to transact business. The study of Aladawani (2001) revealed that there is a variation in the effect of electronic banking functionality factors on satisfaction and empirical evidence in this research suggest that electronic banking factors have a significant degree of influences on satisfaction. The study of Eddin , Al-Zubi (2011) concluded that electronic banking positively influences customer satisfaction in Jordan commercial banks. The study also finds that influence of electronic banking on customer satisfaction would differ according to the personal variable that is gender, age, marital status, educational level, computer literacy, and internet accessibility.

Kumbhar (2012) in his study has shown that there is a positive relationship between age, education and profession. The study result also showed that in order to increase customer satisfaction bankers should enhance service quality of alternative banking services. The study of Timothy (2012) in Nigerian context revealed that electronic banking service had significant influence on customers' satisfaction in Nigeria.

## **3.0 METHODOLOGY**

This study adopted survey research design through the use of questionnaire. The total population was unknown therefore, 100 questionnaire were administered to various users of electronic banking. The population of this study consists of the users of ATM and POS in Yewa Ogun State in which the sample size of 100 was drawn through the use of purposive sampling.

H0: There is no relationship between the e-banking proximity and the customers' satisfaction.

**3.1 Model Specification**

The dependent variables for the purpose of this study is the customers' satisfaction which include the geographical characteristics such as customer' proximity, customers' ability to control their accounts and availability of service at all time while the independent variable include the ATM, POS and the internet banking applications such as the use of token.

$$Y = f(x_1, x_2, x_3) \dots\dots\dots(1)$$

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \mu \dots\dots\dots(2)$$

Where x = independent variable i.e. e-banking

X1 = POS

X2 = Automated Teller Machine (ATM)

X3 = Token

Y1 = Customers satisfaction

$\beta_0$  = Intercept

$\mu$  = Error terms

**MODEL**

$$Y1 = \beta_0 + \beta_1ATM + \beta_2POS + \beta_3TOK \dots\dots\dots(3)$$

**4. DATA ANALYSIS AND DISCUSSION OF FINDINGS.**

**Table 1: Result for the Relative contribution of the Variable(s)**

Variables	Parameter Estimate	Standard Error	T	Beta	P	Remark
Constant	0.082	0.507	0.161	-	0.873	
EPA	0.180	0.051	3.523	0.408	0.001	Significant

Level of significant  $p \leq 0.05$

Table 1 shows the adequacy of the model, the significant value is 0.001 with F value of 12.410 which shows that the model is adequate and that the test is significant. Hence the alternative hypothesis is accepted and we conclude that Automated Teller Machine (ATM) and Electronic Transfer Fund Point of Sale (EFTPOS) services have been able to satisfy customers

**Table 2: ANOVA table for analysis of regression**

	Sum of squares	Df	Mean Square	F	Sig
Regression	45.130	24	1.880	2.570	.001
Residual	54.870	75	.732		
Total	100.000	99			

Level of significant  $p \leq 0.05$

Table 2 is the coefficients table; it shows that impact of electronic banking system is significant with significant value of 0.001.

**5. CONCLUSION AND RECOMMENDATIONS**

## 5.1 Conclusion

Based on the result of the analysis it can be concluded that there is a positive relationship between demographic characteristics and customer satisfaction in e-banking than ordinary banking. E-banking has improved customer satisfaction than ordinary banking, enabled customers to control their account better than the ordinary banking, there is high opportunity in expanding the service and the banks have not taken any empirical study or customer survey to measure customer satisfaction in the technology. Customer' knowledge about e-banking, availability of the service 24/7 and improvement of customers in controlling their account are more sensitive variable which determine customer satisfaction in e-banking. To put it in a nut shell, e-banking has impact in improving customer satisfaction, impact in reducing waiting time for customers to get bank service and impact in improving customers to control their account movements.

## 5.2 Recommendations

Official trainings should be organized by the banks for customers in order to increase customers' awareness about e-banking rather than providing the card only. Banks should ensure that services on e-banking platform are improved on in order to maximize satisfaction and to be ahead of competitors. There should be effort to increase customers satisfaction above the current level and should conduct survey to measure customers' satisfaction empirically. Future researchers should endeavour to determine customers' satisfaction of e-banking in other geographic areas and as well consider other variables for e-banking.

## REFERENCES

- Abaenewe ZC, Ogbulu OM, Ndugbu MO (2013). *Electronic banking and bank performance in Nigeria. West Africa. J. Industrial and Acad. Res.*6(1), 171-187
- Adegbesan, E. (2017, November 3) E-payment transactions up 33% to N74.9trn in 2016 — CBN.Vanguard Newspaper. Retrieved 27/1/2018 from <https://www.vanguardngr.com/2017/11/epayment-transactions-33-n74-9trn-2016-cbn>
- Amedu, U. M. (2005). Domestic electronic payment in Nigeria: The Challenges. Central Bank of Nigeria Bulletin, 29(1)
- American Banker (2000) Web Banks Beat Branches on Ratios but there's No Competition
- Athanassopoulous,A.,Gounraris,S. and Sthaakopuoulos V. (2001). *Behavioral responses of customer satisfaction: An empirical study*, European Journal of marketing, 35(5/6), 687-707
- Awe J. (2006), "Don't Open an Account, If It isn't an E-Bank" (<http://www.jida.com>) retrieved 9th September, 2008
- Beer Stan (2006) *Customers Preference on Internet Banking Survey*.
- Chris C (2000) Pioneer Internet-Only Bank Has a new Strategy. American Banker, 1
- Farris PW, Bendle NT, Pfeifer PE, Reibstein DJ (2010) *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance* (2nd edn.), Pearson Education, Upper Saddle River, New Jersey.
- Feinman T, Goldman D, Wong R, Cooper N (1999) Security Basics: A Whitepaper
- Hansemark OC, Albinson M (2004) *Customer Satisfaction and Retention: The experiences of Individual Employees. Managing Service Quality* 14, 40-57.
- Hammoud, J., Bizri, R.M., & Baba, I.E. (2018). The impact of E-banking service quality on customers' satisfaction: Evidence from Lebanese banking sector. *Sage Open – Research paper*, pp.1-12.
- Healy, Thomas J (1999) *Why You Should Retain Your Customers*. America's Community Banker. p: 22
- Imiefoh, P. (2012). Towards Effective Implementation of Electronic E-Banking in Nigeria. *An International Multi Disciplinary Journal* 6(2), 290-300

- Jenevive, O. C., & Anyanwaokoro, M. (2017). Electronic Payment Methods and Profitability of Banking Firms in Nigeria: A Panel Data Analysis. *International Journal of Finance and Accounting* 6(3), 67-74.
- Kabir, M.A., & Poddar S.C.(2015). E-banking and Customers' satisfaction in Bangladesh. *European Journal of Business and Management* 7(8), 47-54.
- Kotler P (2000) *Marketing management* (6th edn.), Longitudinal Assessment of customer, Prentice-Hall LaBarbera, New Jersey
- Kumbhar, V. M. (2011). Factors affecting the customer satisfaction in e-banking: Some evidences form Indian banks. *Management Research & Practice* 3(4), 1-14.
- Mohammed, S. K. Siba S. M. (2009): Service Quality Evaluation in Internet Banking: An Empirical Study in India. *International Journal of Indian Culture and Business Management* 2(1), 12-19
- Ogunlowore A.J. & Oladele R., (2014). Analysis of electronic banking and customers' satisfaction in Nigeria. *European Journal of Business and Social Sciences*. 3(3),14-27
- Oliver RL (1997) *Satisfaction: A Behavioral Perspective on the Consumer*. McGraw Hill, New York
- Olorunsegun S (2010) *The impacts of electronic banking in Nigeria banking system*.
- Olusegun, A.S, Ishola,G.K. & Hammed, A.B. (2011). Effect of Electronic Banking on Employees' Job security in Nigeria. *European Journal of Humanities and Social Sciences* 4(2), 69-84
- Ovia J (2001) *Internet banking: Practices and Potentials in Nigeria*, A paper presented at a seminar organized by the institute of Chartered Accountants of Nigerian (ICAN) Lagos Sheraton Hotel and Towers, Ikeja
- Ovia, J. (2005). Enhancing the efficiency of the payment system in Nigeria. *CBN Bullion*, 29(1), 8-18.
- Pikkarainen, T.; Pikkarainen, K.; Karjakuoto, H.; Pahnla, S. (2004). Consumer acceptance of online banking: An extension of the technology acceptance model. *Internet Research*, (14)3, 224–235
- Prakash, A., & Malik, G. (2008). Empirical Study of Internet Banking in India. *Internet Research*, 12(5), 83-92
- Rogers, E.M. (1995). *Diffusion of Innovation 4th Edition*. New York, The Free Press
- Salman Shamim and Kashif Sardar.(2010). *Electronic banking and e-readiness adaption by commercial banks in Pakistan*, Linnaeus University, school of computer science, physics and Mathematics
- Sampson E.(2005). *Technological developments and global banking innovation: Zenith Economic Quarterly*
- Taiwo, J. N., & Agwu, M. E. (2017). The role of e-banking on operational efficiency of banks in Nigeria. *Basic Research Journal of Business Management and Accounts* 6(1), 01-10.
- Timothy, A. T. (2012), Electronic Banking Services and Customer Satisfaction in the Nigerian Banking. *Industry International Journal of Business and Management Tomorrow* 2(3), 1 - 8
- Tom E (2001) *The Economics of Online Banking*. Target Marketing. February, p: 67