

Internet Banking Functionality in Nigeria and Outcomes of Customer Satisfaction: An Empirical Investigation

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Abstract

The present study aimed at investigating the impact of internet banking on the customer satisfaction level in banking sector of Nigeria. A structured questionnaire was used to collect data from a sample of Ninety (90) customers of different banks in Nigeria. Data collected were analyzed using regression Analysis with the aid of Statistical Package for Social Sciences (SPSS) software version 20. The result showed that the independent variables (i.e internet banking and quality service) were significant joint predictors of customer satisfaction ($F(2, 87) = 91.3035; R^2 = 0.677; P < .01$). The independent variables jointly explained 67.74% of variance of customer satisfaction. This paper recommends that banks' customers should be educated on how to make use of internet banking products and Nigeria government should also enact a law that will govern internet banking which will not allow unfair and deceptive trade practice by the supplier and unauthorized access by hackers.

Key words: Internet Banking, Customer Satisfaction, Quality Service and Nigeria

Introduction

The importance of banking system in economic growth and development cannot be undermined globally, Nigeria inclusive. They provide a mechanical system to group savings and convert them into investment. A bank serves as an intermediary between depositors and borrowers. Globalization and financial liberalization constitute major changes that have significantly affected banks and this has resulted in competition between banks forcing

individual banks to find new market to expand (Olanipekun, Brimah and Ajagbe, 2013). The banking industry no doubt has witnessed advancement in technology just like any other sector; the adoption of e-banking service is one of these as it affects banking operations entirely (Adewoye, 2013). The importance of e-banking in the 21st century cannot be over emphasized because its introduction has given business opportunity to attain greater productivity and profitability since trading and transactions would be carried out through communication network which makes it faster even as distance would no longer be a barrier to effective transaction (Fagbuyi, 2003).

The advancement in Technology has played an important role in improving service delivery standards in the Banking industry. In its simplest form, Automated Teller Machines (ATMs), Point of Sale Terminals (POS) and deposit machines now allow consumers carry out banking transactions beyond banking hours and these have enhanced customers' satisfaction globally, Nigeria inclusive. Banks with higher levels of quality of service will have higher levels of customer satisfaction as an introduction for achieving sustainable competitive advantage. Adoption of ICT has proved to be of many advantages to the banking sector in Nigeria. It offers numerous advantages for example it enables customers to remotely withdraw and deposit money in banks at any time, transfer money among as well as proper data management and record keeping. However, banks face many challenges among them are difficult to convince computer illiterate customers to adopt ICT in banking services and also hard for banks to get well trained ICT professionals.

Literature Review

The term internet banking refers to "the provision of information or services by a bank to its customers, via a computer or television" (Allen et al, 2001). Internet banking includes the system that enable financial institution, customers, individuals or business to access account, transact business or obtain information on financial product and services through a public or private network including the internet or mobile phone. Thus, customer access electronic banking services using an intelligent electronic devices such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), and touch tone telephone (Olanipekun, Brimah and Ajagbe, 2013). According to Oluwatobani et al, (2011) electronic banking can be described as the act of carrying out the business transaction of a bank using electronic devices. Examples of electronic devices that are used includes computer Systems, Global system for Mobile Communication (GSM) phones, Automated Teller Machine (ATM), Internet facilities, Optical Character Recognition (OCR), Smart Cards, funds transfer, electronic mail, Bankers Automated clearing Services (BACS), and point-of-sales (POS), etc. E-banking is about using the technology infrastructure of the digital age to create opportunities. Mukherjee and Nath, (2003) described internet banking as a type of banking activity through which consumers can perform banking transactions such as checking account balances and making payments via telecommunication network. Polatoglu and Ekin, (2001) agreed that internet banking is developed to help banks deliver services and products better, faster, and cheaper to their customers through their personal computers. Internet 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.

Internet banking has become an important issue, not only to retain customers but also gaining a competitive advantage while maintain and growing overall effectiveness. In the present banking system, excellence in customer service is the most important tool for sustainable business growth (Adewoye, 2013). Purcell and Toland (2003) are of opinion that

the use of internet in the banking institutions can give cost advantages by reducing financial transaction costs. Berger (2003) also affirmed that the utilization of information technology has increased in service industries particularly the banking industry as it assists financial organizations deliver high quality service to client with less effort. In the same vein, Kerem (2003) agreed with other researchers that Internet Banking technology has brought many benefits for example, it has enabled incorporation of new security features for secure transactions, international payments, viewing credit card settlements, deposit and account history. This implies that banks can take advantage of internet banking to provide services to customers online. Furthermore, Farrell and Saloner (2004) opined that information technology which gives rise to e-banking can bring down the operational cost of the bank as information technology facilitate and speed up bank procedure to accomplish standardized and low value added transaction such as bill payment and balance inquiries process through online network.

Internet banking products

ATM: Automated teller machine is a computer controlled device that dispenses and provides other services to customers who identify them with a personal identification number (PIN). An ATM device allows a bank customer to withdraw cash from his account via a cash dispenser (Machine), and the account is debited immediately (Ojokuku and Sajuyigbe, 2012). A fundamental advantage is that it needs not to be located within the banking premises. It is usually in stores, shopping malls, fuel stations etc. It saves customers time in service delivery as alternative to queuing in bank halls, customers can invest such time saved into other productive activities. ATMs are a cost-efficient way of yielding higher productivity as they achieve higher productivity per period of time than human tellers.

Point Of Sale Terminals: This mode of e-banking handles cheque verification, credit authorization, cash deposit and withdrawal and cash payment. it enhance electronic fund transfer at the point of sales. Thus customers account would be debited immediately with the cost of purchase in an outlet such as a petrol station or supermarket. The implication of this is that customers can make payment for goods and services without necessarily coming in contact with physical cash as the purchase price would be debited on the buyer's card and credited on the seller's account (Olanipekun et al, 2013).

Mobile banking: This mode of e-banking primarily uses mobile phones as the electronic devices. Mobile phone gives customer the opportunity to operate their account with bank as long as their phones and network services provider support the SMS (short messaging service) which would enable the customer check account balance(Olanipekun et al, 2013).

Card System: The card system is a unique electronic payment type. The smart cards are plastic devices with embedded integrated circuit being used for settlement of financial obligations. The power of cards lies in their sophistication and acceptability (Ojokuku and Sajuyigbe, 2012) to store and manipulate data, and handle multiple applications on one card securely. Depending on the sophistication, it can be used as a Credit Card, Debit Card and ATM (Automated Teller Machine) card.

PC Banking: The technology of e –banking has a universe of possible applications. Online banking for example provides the opportunity of paying bills and performing transactions of

any kind. The availability of online information has provided banking and customer with a powerful vehicle for research(Olanipekun et al, 2013).

Service quality: Service quality is customers' perception about retail banking is directly linked with their satisfaction and increases the business of bank through high percentage of customers.

Quality in a service organization is a measure of the extent to which the service delivered meets the customer's expectations. The nature of most services is such that the customer is present in the delivery process. This means that the perception of quality is influenced not only by the "service outcome" but also by the "service process" (Asiamah, 2011).

Customer Satisfaction

Jamal(2003) defined customer satisfaction as the full meeting one's expectations relating to the product used by the customer; these are the total feelings and sentiments about the product used by the customer. Previous studies (Schultz and Good, 2000;Churchill and Surprenant, 1982; and Patterson, (1993) agreed that service performance has a direct impact on customer satisfaction, particularly in the high-involvement situation. They believed that Salespeople's interaction with their customers plays a key role in organizational success or failure and customer satisfaction is a critical performance indicator. File and Prince, (1992) stated that satisfied customers are become loyal for the organization and tell others their favorable experiences and thus engaged in positive word of mouth advertising.

Saherehet *al*, (2013) identified ten (10) factors influencing satisfaction as follows:

- i. **Properly behavior with friendly:** No doubt this will cause to interest the customer to the bank and will makes customer relationship with the bank continuity. Friendly service and without dependent, polite is essential and necessary condition for the development of activities and impress a good name.
- ii. **To speed in delivery of services:** Anything that causes customer satisfaction will help to reach their goal earlier.
- iii. **Accuracy in providing services:** This factor means to minimize in error rate doing things and improving quality of work to the standards and acceptable level that will lead to gain the trust and confidence of customers and increasing their satisfaction.
- iv. **Standard-Oriented:** If customers have to ensure that the relationship does not rule and providing facilities request them is done based on standard and criteria, trust isn't deprive and will not lead to their disappointment.
- v. **Interest of deposits:** Without doubt depositors are attending to the actual interest that should be considered inflation and other costs carefully.
- vi. **Secrecy:** banks customers expect that bank personnel in maintaining statements inventory and accounts function or other financial issues do not know even closest relatives and friends of the account holders.
- vii. **Skills of personnel:** based on researches done the conditions for employment post include: The ability to move, speed in the work, balancing, and the ability of such.
- viii. **Guiding and presenting the necessary information and helpful:** Right guidance on how to use customers from service will lead to the speed of work and customer satisfaction.
- ix. **Discipline:** it is very important in all aspects of human life. Discipline led to focusing on the work and higher level of service delivery.

- x. **Ease of access to services:** However banks could easily apply to most services, will provide greater customer satisfaction.

Relationship Between Usage Of Internet Banking And Customer Satisfaction.

Many studies have been carried out on the relationship between the usage of internet banking and customer's satisfaction both in developed and developing countries but their results are inconclusive. For instance, Balogun, Ajiboye and Dunsin, (2013) and Mahmood, (2013) investigated the factors that influence customer satisfaction with E- Banking in Nigeria and Pakistan respectively. They found that internet banking products have significant effect on customers' satisfaction. Agboola (2001) also examined the impact of computer automation on the banking services in Lagos and discovered that Electronic Banking has tremendously improved the services of some banks to their customers in Lagos. Robinson (2000) argued that the online banking extends the relationship with the customers through providing financial services right into the home or office of customers. Ovia (2002) also found out that electronic banking usage has a considerable effect on customer satisfaction among the electronic banking users, while it has a negative impact on non-users. It was concluded that customer care and customer retention should be taken into consideration, because the convenient, easy and fast banking services is associated with the human and technology based delivery processes so that they are linked with the customers' perceptions of how these bank services are delivered to them.

However, Nancy et al., (2001) discovered from their study that internet banking has negative effect on customer satisfaction. They discovered that that customers' complain about computer logon times which are usually longer than making a telephone call. In addition, respondents felt that they have to check and recheck the forms filled in online, as they are worried about making mistakes. Ladejo and Akanbi, (2012) also agreed that lack of specific laws to govern internet banking which allow unfair and deceptive trade practice by the supplier and unauthorized access by hackers has made Nigerian banks' customers to be dissatisfied. It is therefore hypothesized that:

H₀: Internet banking has no significant effect on customer satisfaction

H₁: Internet banking has significant effect on customer satisfaction

METHODOLOGY

The study covered three (3) old generation banks and three (3) new generation banks; they are First Bank, United Bank for Africa (UBA), Union Bank, Zenith Bank, Diamond Bank and Guaranty Trust Bank respectively in Lagos, because Lagos was chosen for predominance of banking activities in Nigeria. The selection of banks was done using purposive sampling while their customers were selected at random at their banking hall respectively. One hundred and twenty (120) Questionnaires were administered and distributed to the customers of the selected banks, twenty (20) customers each was picked from the six (6) selected banks. Ninety (90) were found useful for the purpose of the study representing 75% of the total questionnaire distributed. A structured questionnaire developed and validated by Musiime and Biyaki, (2010) was used to collect data from respondents. The questionnaire is a self-administered instrument with 17 items in phrase form. It is anchored on 5-point Likert type scale with the following degree of response: Strongly disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly disagree (5). According to the author, ISCQ is designed to assess satisfaction customers derived from the internet banking services. The ISCQ consists of eight items of information technology scale with reliability alpha coefficient of .83, a five-item of

service quality scale with alpha reliability coefficient of .78; and a four-item of customer satisfaction scale with alpha of .85. Regression analysis was used to analyze the data.

Model specification

Customer satisfaction (CSF) = F(internet banking and quality service)

$$CSF = \alpha + \beta_1 INB + \beta_2 QUS + e$$

Where;

CSF = customers satisfaction

INB = internet banking

QUS = quality service

α = constant

$\beta_1 - \beta_2$ = coefficient to estimate

e = error term.

Data Analysis and Interpretation of Result

Table1a

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.823 ^a	.677	.670	.28631	1.330

a. Predictors: (Constant), Quality service, Internet banking

b. Dependent Variable: Customer satisfaction

Table1b

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.969	2	7.484	91.304	.000 ^b
	Residual	7.131	87	.082		
	Total	22.100	89			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Quality service, Internet banking

Table 1c

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
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	B	Std. Error	Beta		
(Constant)	.071	.332		.213	.832
1 Internet banking	.336	.065	.339	5.202	.000
Quality service	.633	.065	.638	9.793	.000

a. Dependent Variable: Customer satisfaction

Table 1 a, b and c show that the independent variables (i.e internet banking and quality service) were significant joint predictors of customer satisfaction ($F(2, 87) = 91.3035; R^2 = 0.677; P < .01$). The independent variables jointly explained 67.74% of variance of customer satisfaction

while the remaining 3.23% could be due to the effect of extraneous variables. Table 1c shows that internet banking ($\beta = 0.339; P < .01$) and quality service ($\beta = 0.638; P < .01$) were independently predictors of customer satisfaction. This indicates that service quality effect of customer satisfaction (.638) is higher than effect of internet banking (0.339). Hence both variable effect are optimistic and significance less than 0.05 its means alternative hypothesis is accepted and null hypothesis is rejected. This result is in line with Mahmood, (2013); Balogun, Ajiboye and Dunsin, (2013); Agboola (2001); and Ovia (2002) who agreed that internet banking and quality service have significant effect on customer satisfaction.

Conclusion and Recommendations

This research study examined the impact of internet banking on customer satisfaction in Nigeria.

This study has found that internet banking as well as quality service significantly and positively affects customer satisfaction in banking sector of Nigeria. The study further revealed that quality service has highest contribution to customer satisfaction in Nigerian banking sector. And this is line with Mahmood, (2013) that a customer that constantly stumble upon bank clients who are unfriendly, harsh and unwilling to go an extra mile to meet the client needs, is likely to be less satisfied than the one who encounters staff who are kind, helpful and ready to help the customers at almost any cost. It can be concluded that with internet banking customers can now have access to their account outside working hours to make payment and withdrawal through point of sale terminal and ATM respectively to attend to their needs. This has also resulted in higher customer satisfaction. Based on the above conclusion, it is therefore recommended that banks' customers should be educated on how to make use of internet banking products. Nigeria government should also enact a law that will govern internet banking which will not allow unfair and deceptive trade practices by the suppliers and unauthorized access by hackers.

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