Effect of internet banking on customer satisfaction. A study of Deposit Money Banks in Zaria

Rofiat R. Adedokun
Department of Business administration, Faculty of administration, Ahmadu Bello University, Zaria
Email: rofiatadedokun24@gmail.com
Phone number: 08076830267

Abstract
The digitalization of the banking sector has been a defining trend in Nigeria over the last decade. Financial innovations in particular have provided banks with the necessary tools to obtain competitive advantages. Internet banking is an innovation that has progressively rendered itself in pervasive ways cutting across several financial institutions most especially Deposit Money Banks (DMBs). This research aims to analyze the effect of financial innovation represented by Internet banking services on the satisfaction of bank customers. The study is cross sectional in nature and hence data was collected using self-administered questionnaire to the respondents. Linear regression analysis was used to test the hypotheses formulated for the study using Statistical Package for Social Science (SPSS) version 20. The findings of the study showed that Internet banking has a significant effect on customers satisfaction. The study therefore recommends that DMBs in Zaria should improve their internet banking platform to increase customer satisfaction

Keywords: Customer Satisfaction, Financial innovations, Internet banking, Linear Regression

Introduction
Banking sector like many other sector is not free from the influence of globalisation. In so far, globalization alongside regulatory, structural and technological factors has caused significant changes in the sector. This in turn has led to profound cut throat competitive pressures (Grigoroudis et al, 2002 cited in Mkoma, 2014). Over the last decade the world has become more digitalized and mobile. This change has increased customers’ awareness and demands Banks to serve their customers electronically. The introduction of electronic banking has revolutionized and redefined the ways banks were operating. As technology is now considered as the main contribution for the organizations’ success and as their core competencies.

Modern banking business is comprehensively influenced by the process of globalization. The impact is expressed, mainly, in financial market liberalization that, in turn, causes an augmented competition. To survive in a competitive struggle, banks should offer their customers something new and relatively cheap, because the competitive power of a bank is largely defined by the degree of its conformance to customer needs (Saha, Hasan, & Uddin, 2014). According to Kombe and Wafula, (2015) banks considered in their study observed that cost reduction and enhanced ability to deal with customers were drivers of extreme importance.
Internet banking (e-banking) is the use of internet and telecommunication networks to deliver a wide range of value added products and services to bank customers (Kombe&Wafula 2015).

Internet banking has gained worldwide acceptance as a new delivery channel for performing various banking transactions. It provides the opportunity to the customers to conduct banking transactions at their convenience.

Okechi and Kepeghom, (2013) defined online banking as a platform that allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution, which can be a retail or virtual bank, credit union or building society. According to Siyanbola (2013) internet banking can be referred to as online banking. It involves conducting banking transaction on the internet using electronic tools such as the computer without visiting the banking hall. Internet banking, like mobile banking, uses the electronic card infrastructure for executing payment instructions and final settlement of goods and services over the internet between the merchant and the customers.

The widespread availability of Internet banking is expected to affect the mixture of financial services produced by banks, the manner in which banks produce these services and its effect on customers of these banks. According to Stoica, Mehdian, and argu, (2015), the primary reason for the growth in Internet banking services is that they reduce costs and enhance profits for banks, while enriching customer convenience through the ease and rapidity with which transactions are executed. Providing this type of service has become a strategic component of any banking institution seeking to improve quality of services. Yet, questions remain within the literature to what extent Internet banking services contribute to the enhancement of the overall service quality and customer satisfaction.

Customer satisfaction refers to the extent to which customers are happy and delighted with the products and services provided by a business. In other words satisfaction is the state of mind felt by a person who experienced a performance of product or service that has fulfilled his or her expectations. Satisfaction is thus a combination of relative level of expectations and perceived performance(Saxena, 2017).

Manrai and Manrai, (2007) as cited in Saha, Hasan, and Uddin, (2014)opines that banking institutions across the globe have acknowledged the significance of customer satisfaction and of developing and maintaining long-lasting relationship with their customers as two essential parameters leading to increased business profits. Commercial banking is a service industry and it delivers services to the consumer. And, it is strongly believed that a satisfied customer is the best person to generate positive word of mouth for a commercial bank. In the information age, organizations need new capabilities forcompetitive success, such as customer relationships,product innovation, customized products, employee skills, motivation, and information technology Titko et.el , (2010) as cited in (Saha et al., 2014)

At the same time, several banking institutions are experiencing rising level of retail customer displeasure. Research suggests that customer dissatisfaction is still the major reason of bank customers’ switch to other banks (Manrai & Manrai, 2007)

For decades, it has been a common belief that success in the marketplace was dependent upon organizations’ ability to create satisfied customers ((Jashireh, Slamolchi, & Mobarakabadi, 2016). Because of the recognized importance of customer satisfaction, it
has been a topic that has generated substantial attention among academicians. Emphasis on customer satisfaction often stems from the thought that keeping current customers is much less expensive than attempting to attract new customers. (Jashireh et al., 2016). Innovations in the banking industries are aimed at improving service quality and increasing customer satisfaction. Hence the need to investigate the effect of internet banking on customer satisfaction in Zaria. Based on the above postulations the following hypothesis has been formulated; Internet banking has no significant effect on the customer satisfaction among bank customers in Zaria.

Literature review

Customer satisfaction has been considered the essence of success in today’s highly competitive banking industry. Different researchers have found the factors which might affect customer satisfaction with respect to commercial banking in the world (Saha, Hasan, & Uddin, 2014). According to Sabir, Ghafoor, Akhtar, Hafeez, & Rehman, (2014) in their study, the factors affecting Customer Satisfaction in Banking Sector of Pakistan found out that there is significant relationship between service quality attributes and customer satisfaction. It also revealed that positive relationship exists between customer satisfaction and customer loyalty. Data was collected through already tested structured questionnaire from 72 respondents.

Mkoma, (2014) in his study that was undertaken to analyze customers’ satisfaction with banking services with specific focus of Standard Chartered Bank in Tanzania shows that majority of the customers were satisfied with the Standard Chartered Bank. A total of 135 respondents were sampled by using non-probability convenient sampled technique, and data was collected by means of a self-administered questionnaire.

Akgam, (2013) evaluated the customer satisfaction of the banks in Libya, based on customer perception regarding service quality. Data was collected through a well-structured questionnaire administered on a sample size of 204 bank customers. The findings based on three different independent variables (service quality, customer loyalty and security) showed that all these variables influenced consumers satisfaction in Libyan banking sector. There is a positive impact and significant relationship between the customer satisfaction and two variables (service quality and customer loyalty), and also there is a negative relationship between security and customer satisfaction. Saha et al., (2014) examined the conceptual framework for understanding Customer Satisfaction in Banking Sector. A Samples of 51 customers who have their bank account with different commercial banks were selected on convenience basis. The study found out that customer satisfaction is the key for many banks to stay alive in competition.

In constrast Agbor, (2011) in his research examined the relationship between customer satisfaction and service quality in service sectors with respect to the service quality dimensions. The study showed distinctive results for the relationship between service quality dimensions and service quality/customer satisfaction but the findings imply that service quality is not the only factors that could lead to customer satisfaction in service sectors; that service quality dimension varies in the different service sectors.

Most of the studies that were reviewed were focused on customer satisfaction and service quality without consideration for the effect of the product innovation. Hence the need to investigate the effect of internet banking on customer satisfaction.

Theoretical framework

Assimilation Theory
The theory of assimilation asserts that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. The assimilation theory was introduced after discovering that the consumer evaluates the products after using them. Anderson (1973) as cited in Nkoma, (2014) asserted that consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. According to this theory consumers can reduce the tension resulting from poor product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.

**Disconfirmation Theory**

Disconfirmation theory argues that customer satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. According to Ekinci and Sirakaya (2004) disconfirmation paradigm is the best predictor of customer satisfaction. This theory has been acknowledged by Mattila and O’Neill (2003) that it is among the most popular satisfaction theories as cited in (Mkoma, 2014). Basically, satisfaction is the result of the process of comparing perceptions against a standard (or expectations). These theories explains the relationship between services and customer satisfaction. Other studies on customer satisfaction has also identified the theories as an explanation for customer satisfaction.

**Methodology**

The study adopts a survey research design which is cross-sectional in nature. Primary data was collected from the population of the study using survey questionnaire. The population of the study consists of all customers of DMBs that have a branch in Zaria. The sample size for the study was arrived at using the Cochran (1963) sampling technique. A total of 499 questionnaires were distributed to bank customers in Zaria out of which 459 was returned and corrected filled. Data collected was analysed using linear regression and correlation analysis.

A pilot study was conducted in order to test for validity and reliability of the instrument. The validity of the instrument was obtained from three experts in the field of study. The items on the questionnaire were rated as relevant by the experts. Each scale item was rated in terms of the relevance of its constructs. In order to ascertain the accuracy of the measurement, the test for reliability was conducted. A total of 50 questionnaires were administrated to a segment of the population. The result showed that internet banking has a reliability score of 0.86 and customer satisfaction has a score 0.82. The Cronbach Alpha for the two variables was all above the benchmark score of 0.70 set by Hair, Anderson, & Tatham, (2010).

**Data Presentation and Analysis**

Data was presented and analysed using correlation and regression. Bank performance will be regressed against Internet banking.

\[ CS_i = a_0 + \beta_1 IB_i + \epsilon_i \]

The correlation result in Table 1 shows that the relationship between Internet banking and customer satisfaction is positive and significant.

| Table 1:Correlation result |
The Table 1 shows the Pearson correlation coefficient (r). Correlation results indicated a significant positive relationship between internet banking and customer satisfaction (r = 0.635, p<0.05).

**H₀**: Internet banking has no significant effect on the customer satisfaction among bank customers in Zaria. The hypothesis of the study was tested using linear regression model in spss.

**Table 2**: Regression result on the effect of internet banking on customer satisfaction.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.635^a</td>
<td>.403</td>
<td>.402</td>
<td>.23496</td>
<td>2.190</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), IB  
b. Dependent Variable: CS

The result from the table indicates that the independent variable (Internet banking) account for 40.3% (r² = 0.403) change in customer satisfaction among bank customers in Zaria. It also indicates strong relationship between the variables (r= 0.635). The durbin-watson statistics of 2.190 indicates absence of auto serial correlation and fitness of the model.

**Table 3**: Analysis of Variance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>17.037</td>
<td>1</td>
<td>17.037</td>
<td>308.590</td>
<td>.000^b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>25.230</td>
<td>457</td>
<td>.055</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42.267</td>
<td>458</td>
<td>.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: CS  
b. Predictors: (Constant), IB

The F-statistics tests the fitness of the model specified for this study, where customer satisfaction was expressed as the function of internet banking. The F statistics is significant at 5% (F= 308.590, P<0.05) indicating the fitness of the model.

**Discussion of Findings**
The findings from the analysis carried out showed that internet banking has significant positive effect on customer satisfaction, accounting for 40% change in bank customers satisfaction in Zaria. This means that the better the services provided by internet banking, the greater the satisfaction of bank customers in Zaria. The findings of this study is in agreement with the findings of Sabir et al, (2014) and Mkoma, (2014).

Conclusion
The findings showed that internet banking has significant positive effect on the customer satisfaction of DMBs customers in Zaria. Therefore, this study concluded that internet banking has improved the ease and convenience of conducting banking transactions and has also provided customers with effective and efficient banking experience.

Recommendation
This study recommends that DMBs should constantly uprade their internet banking platform to increase its features and services and also maintain the internet banking platform as frequent as possible in order keep the platform timely, effective and efficient and also improve their performance.

References


